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

Scaling heights, Pursuing excellence

蒸蒸日上 卓越增长

ANNUAL REPORT 2009

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CORPORATE PROFILE

Chip Eng Seng Corporation Ltd ("CES") is a construction and property group listed on the mainboard of the Singapore Exchange Securities Trading Limited ("SGX-ST"). The Group's construction business is undertaken by Chip Eng Seng Contractors (1988) Pte Ltd ("CESC") and CES Engineering & Construction Pte Ltd ("CESE") while CEL Development Pte Ltd ("CEL") is its property investment and development arm.

The history of Chip Eng Seng Group goes all the way back to the 1960s, when its founder, Mr Lim Tiam Seng started the business as a building subcontractor for conventional landed properties. With competitive pricing and quality work, the business grew and the company began taking on the role of a main contractor. In 1982, the company won its first Singapore Housing and Development Board (HDB) project as a main contractor. With that, the company continued to establish its position in HDB public housing construction.

In the 1990s, the Group diversified into property investment and development of residential, commercial and industrial properties.

Today, Chip Eng Seng is one of Singapore's leading construction and property group with businesses spanning across construction, property development and property investment.

From 2004 to 2008, CES has won the "Most Transparent Company – Construction Category", of the Investors' Choice Awards organised by the Securities Investors Association Singapore. These awards attest to our commitment to corporate transparency.

Construction

CESC is registered with the Building and Construction Authority of Singapore ("BCA") under the A1 classification for general building and A1 classification for civil engineering. These are the highest classification that allows CESC to tender for public sector projects of unlimited value.

The Construction Division is a leading main contractor for big scale construction projects with design and build capabilities. The Group also has the expertise to undertake precast activities. The precast activities are handled by CES-Precast Pte Ltd ("CESP"). CESP is registered with the BCA under the L6 classification for pre-cast concrete work. This is the highest classification that allows CESP to tender for public sector projects with unlimited value.

Through the years, the Construction Division has undertaken varied construction projects from both the private and public sectors, including HDB projects, columbarium, shophouses, residential and commercial properties, institutional buildings, industrial buildings and precast projects.

In 2005, CESC was accorded the Housing & Development Board's ("HDB") "Quality Award 2005", a fitting testimony to the professional quality that the company delivers. In the same year, CESC was awarded a HDB contract to build the tallest public building housing project in Singapore, "The Pinnacle@Duxton". This is HDB's first 50 storey integrated housing development that comes with special features such as sky bridges and sky gardens.

Property Development & Investment

Since 2000, the Property Division has been actively acquiring sites for property development and investment. These developments include residential, commercial and industrial properties. The current portfolio of the Property Division includes mid-market and high-end prime properties.

The management believes in growth through partnerships. This has resulted in the establishment of joint ventures with reputable foreign funds such as Lehman Brothers Real Estate Partner II and Citadel Equity Fund Ltd. CEL has also teamed with local partners like NTUC Choice Homes Co-operative Ltd and Keppel Land Limited on several highly successful property projects.

Going beyond local boundaries, the Property Division has launched an expansion into Australia and Vietnam, where it is actively seeking property development opportunities. It is also exploring other markets in the region such as Malaysia and China.

The Group currently has 5 investment properties held by CEL Development Pte Ltd and Evervit Development Pte Ltd.

A MESSAGE FROM OUR EXECUTIVE CHAIRMAN

Dear Shareholders,

A year of harvesting

If FY2008 was a year of plowing, then FY2009 would be a year of harvesting. We have reaped the fruits of our tenacious labour in the form of a sparkling performance. After a rather turbulent FY2008, FY2009 began with caution hanging in the air; as the year progressed however, pockets of light began to shine through. Chip Eng Seng weathered the challenges and seized the opportunities of FY2009 and turned in an outstanding set of financial results unprecedented in our corporate history.

Financial Performance

FY2009 was a record year for Chip Eng Seng with pre-tax profit rising 61.5% to $78.3 million and profit after tax jumping 71.1% to reach a whopping $75.3 million compared to the year before. The sterling performance was driven mainly by the 73.2% increase in the share of associates results, to $85.2 million compared to the previous year. These were profit contributions from the Group's joint venture property development projects, The Parc Condominium, CityVista Residences, Grange Infinite and The Suites@Central.

The Group's total revenue for FY2009 increased by 6.2% to $376.4 million vis-à-vis $354.6 million for FY2008. Gross profit for FY2009 was lower than that of FY2008 as there was no significant profit contribution from our wholly-owned property development projects; our wholly-owned Ventuno Balmoral had obtained TOP in November 2008. However the decrease was more than made up by profit contributions from the joint venture projects.

As at 31 December 2009 the Group's cash and cash equivalent position stood at a healthy level of $76.1 million and its net asset value per ordinary share was 39.04 cents compared to 28.09 cents as at 31 December 2008.

Construction

FY2009 was a year of delivery for the construction division. It successfully completed and handed over four projects, namely, Sembawang N4C15, Woodlands Driving Centre, The Suites@Central and the iconic Pinnacle@Duxton.

The Pinnacle@Duxton is the first integrated public housing project featuring seven 50-storey apartment blocks linked with a sky bridge at the 26th and 50th floor. It stands on Duxton Plain overlooking the central business district and the sky bridges offer spectacular views of the city skyline. Chip Eng Seng is honoured to have been the main contractor of this exclusive and historical project.

In our current construction portfolio are both private and public projects at various stages of construction. With the completion of four projects in FY2009, the Group now has the capacity and resources to tender for large construction projects to boost our order book of $391 million as at 31 December 2009. In FY2010, the Group will busy itself with active tenders for projects that match our expertise and are in line with our business direction. We will focus on both HDB and private projects as well as public infrastructure works.

Property

FY2009 began with caution and uncertainty spilling over from FY2008. The property market remained quiet for much of the first half of FY2009. Then in the second half of the year, market sentiments improved and demand surged. Capitalising on this, the property division launched its Oasis@Elias in July 2009. The 388-unit residential project in the East of the island was well received. To date, more than 50% of the project has been sold and the Group is looking to launch the next phase for sale in the second quarter of this year.

Moving forward, the Group will be more aggressive in replenishing our land bank. We have re-embarked on our regional expansion plans with interest in Australia, China and Vietnam. On 15 March 2010, the property division successfully secured a land parcel in Melbourne, Australia. Purchased for AUD20.2 million, the land of approximately 20,000 square feet is situated in the prime MacKenzie Street. The Group plans to develop a 32-storey residential tower of about 350 apartments with amenities such as shops, licensed food and drinks premises and parking facilities.

The Group will continue to build an optimal mix of residential projects in and outside Singapore to spread risks and maximize returns. We remain open to opportunities for joint ventures and strategic partnerships.

Dividend

In view of its record financial results for FY2009, the board of directors is recommending a first and final dividend of 3 cents per ordinary share (tax exempt one-tier). The dividend payout is subject to shareholders' approval at the Annual General Meeting.

Outlook

With signs of an economic recovery in view, the Group holds a positive outlook tempered with prudence. The Group is hopeful of the state land that will be released for development and the various government construction projects that are in the pipeline. We believe these will bode well for the industry and the Group.

The consumers of today are affluent and sophisticated with high expectations for design, style and quality. Meeting such demands while maintaining a healthy profit margin is our challenge; and the business acumen to read the market and take appropriate actions is our key to growth.

A word of appreciation

On behalf of the board of directors, I wish to thank our customers, sub-contractors, suppliers and business partners for their unwavering support for Chip Eng Seng.

I would also like to extend our appreciation to our management and staff for their commitment and invaluable contributions to the progress of the Group.

Let us forge ahead for another year of good fruits.

Lim Tiam Seng PBM
Executive Chairman
31 March 2010

主席致辞

丰收的一年

如果说2008财政年度是耕耘的一年，那么2009财政年度就是丰收的一年。亮眼的业绩表现是我们顽强拼搏一年所收获的丰硕果实。经历了动荡不安的2008财政年度，2009财政年度最初的市场气氛相当谨慎。然而，随着市场复苏，集永成经受住了挑战并且把握了机遇，终于在2009财政年度交出了杰出的业绩表现，创造了集团的历史。

财务分析

集团的税前盈利在2009财政年度取得了创纪录的7830万元，同比增长61.5%。经过税后盈利则同比大幅增长了71.1%，达到了7530万元。亮眼的表现主要是因为联合股份的同比增长了73.2%，达到了8520万元。这些利润主要来源于集团的合资房地产发展项目，柏景苑，晶璟苑，格兰芝公寓以及德文莎公寓。

集团的2009财政年度总收入同比增长6.2%，从2008财政年度的3亿5460万元增长到了3亿7640万元。2009财政年度的净盈利低于2008财政年度的数字，这是因为，随着全资项目豪轩在2008年11月落成，集团全资拥有的房地产项目在2009财政年度并没有提供显著的盈利；然而，来自其他合资项目的收入足以弥补集团全资项目净盈利的减少，提升了盈利总额。

截至2009年12月31日，集团的现金和现金等价物总值达到7610万元，每股净资产从去年的28.09分增加至39.04分。

建筑

建筑部门在2009财政年度大获丰收，成功完成并交接了四个工程项目，分别是三巴旺 N4C15，兀兰驾驶中心，德文莎公寓和地标性的建屋局达士岭项目。

达士岭组屋是全国第一座综合性的公共住屋项目，由7栋50层高的摩天大楼组成，在26层和50层各有一个空中天桥把7栋楼房相连起来。达士岭组屋位于丹戎巴葛达士敦坪，在空中天桥上能够俯瞰整个市中心金融区和欣赏无与伦比的美丽夜景。集永成非常荣幸成为这个历史性项目的主承包商。

我们目前的建筑工程项目包括多个处于不同进度的私人和公共项目。截至2009年12月31日，集团的未完成订单价值为3亿9100万元。随着2009财政年度的四个项目的顺利完成，集团拥有了足够的财力和资源来竞标更大型的项目，以进一步提升订单价值。在2010财政年度，我们将更积极的竞标符合集团专业领域和商业目标的项目。我们将着重竞标组屋和私宅项目，同时也尝试争取公共基础设施项目。

房地产

2009财政年度伊始，市场保持了2008财政年度的谨慎和观望气氛。整个房地产市场在2009财政年度的上半年时间里相当平静。然而，在下半年里，市场情绪大为好转，从而带动需求急剧上升。把握住这个契机，房地产部门在2009年7月推出了绿景苑。这座位于东部的388个单元的私宅项目大获青睐。迄今为止，超过50%的单元已经售出，集团计划于今年的第二季度推出下一阶段的销售。

主席致辞 续

接下来，集团将会更积极的补充土地库存。集团会再度拓展澳大利亚，中国和越南等海外市场。2010年3月15日，房地产部门以2020万澳元成功购得了澳大利亚墨尔本的一幅地皮。集团将在这幅占地约2万平方英尺的地皮上，建造约350个单位的公寓住宅。这个楼高32层的发展项目，包括商店、饮食店和停车设施。地段位于墨尔本中央商业区的东部，在麦肯锡路上。

我们力求在新加坡本地和海外市场都发展住宅项目，从而达到风险分散和利益最大化的理想平衡。同时，我们永远欢迎合资和战略合作的新机会。

股息

鉴于2009财政年度创纪录的财政表现，董事局建议派发每股3分的年终免税股息。派系率将会通过股东常年会议批准。

前景

随着经济复苏的前景日益明朗，集团对未来的展望抱有谨慎的乐观态度。集团很有希望获得即将被开放的国家土地和多个进行中的政府建设项目。我们相信这些项目能够带动整个行业和集团的共同发展。

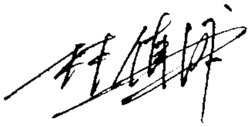
今时今日的消费者更加富有和精明，他们对住宅项目的设计，风格和质量有着越来越高的期望值。在达到消费者期望的同时还要保持良好的利润是我们的挑战；敏锐的商业嗅觉来认知市场并迅速反应是我们赖以成长的关键。

感言

谨代表董事局，我要衷心感谢我们的客户，承包商，供应商和商业伙伴对集永成的坚定支持。

我也要感谢集团的管理团队和员工。集永成的不断进步离不开所有员工的辛勤工作和无私奉献。

让我们共同努力来迎接又一个丰收的一年。



林镇成 PBM
执行主席
2010年3月31日

FINANCIAL REVIEW

Revenue and Profitability Review

The Group achieved a record revenue of $376.4 million in FY2009, an increase of 6.2% compared to $354.6 million in FY2008. The outstanding performance for FY2009 was mainly attributed by 10% growth in the Group's construction revenue to $331.3 million compared to $301.1 million a year ago. Group revenue from property development declined by 16.3% to $43.5 million for FY2009 compared to $52.0 million in FY2008 due to lower revenue contribution from the Group's wholly-owned development project – Oasis@Elias compared to Ventuno Balmoral in FY2008 as the former was only launched for sales in early July 2009.

The Group also recorded an all time high profit before tax and profit after tax by 61.5% and 71.7% to $78.3 million and $75.3 million respectively for FY2009, compared to $48.5 million and $43.9 million respectively for FY2008. The increase was mainly due to the increase in the share of results from associates by 73.2% to $85.2 million in FY2009 compared to $49.2 million in FY2008.

Operating Expenses

The overall operating expenses increased by $2.6 million year-on-year, mainly due to an increased in marketing and distribution expenses incurred for the Group's wholly-owned development project – Oasis@Elias, which was launched for sale in early July 2009 and the expenses incurred for the arrangement and structuring fee for term loan facilities granted to the Group.

Balance Sheet Review

Investment in Associates

The increase by 60.7% to $170.5 million in FY2009 from $106.1 million in FY2008 was due to the increase in the Group's share of results for the year after deducting for dividend received.

Other Receivables (non-current)

The decrease from $114.9 million in FY2008 to $34.8 million in FY2009 was mainly due to the repayment of shareholder's loan from an associate and the reclassification of shareholders' loans amounting to $63.7 million from non-current to current assets as these amounts are expected to be repaid within the next 12 months.

Net Gross Amount Due to Customers for Contracts Work in Progress
The net increase was due to more progress billings for projects which were in its active stage of construction and the completion of several construction projects during the year.

Completed Projects Held for Sale
The decrease from $6.9 million in FY2008 to $3.5 million in FY2009 was due to sales of properties in Australia.

Development Properties
The decrease from $133.1 million in FY2008 to $118.6 million in FY2009 was due to a property development project – Ventuno Balmoral which obtained Temporary Occupation Permit ("TOP") in November 2008 and the progress billing to buyers of the Group's wholly-owned development project – Oasis@Elias.

Trade and Other Receivables
The increase from $96.9 million in FY2008 to $151.9 million in FY2009 was due to the reclassification of non-current shareholders' loans amounting to $63.7 million to current assets as these amounts are expected to be repaid within the next 12 months, offset by the collections from the completion of several construction projects during the year.

Loans and Borrowings
The net decrease in long and short term loans and borrowings to $113.5 million in FY2009 from $186.1 million in FY2008 was primarily due to the repayment of bank borrowings.

Cash and Cash Equivalents
Cash and cash equivalents improved from $47.9 million in FY2008 to $76.1 million in FY2009 due to dividend received from associates and subsidiaries and the completion of several projects during the year.

Trade and Other Payables
The decrease to $120.7 million in FY2009 from $134.2 million was due to the completion of several construction projects during the year.

Other Liabilities
The increase from $9.3 million in FY2008 to $16.8 million in FY2009 was due to the accrual of operating expenses as at year end as a result of increase in operating activities.

Other Reserves
The decrease was due to the fair value gain adjustment relating to the 5% investment in a public listed company in Vietnam as a result of an improvement in the share price.

OPERATIONS REVIEW

Construction

The Group's construction revenue increased by 10.0% to $331.3 million for FY2009 compared to $301.1 million for FY2008 mainly contributed by two HDB projects, Sengkang N4C3 which commenced construction in 2H2008 and Punggol West C25 which commenced construction in 2H2009 and other major contributing on-going projects. This include projects which were in their active stages of construction such as The Parc Condominium, CityVista Residences, Grange Infinite and Queenstown RC25. However, this increase was offset by the decrease in revenue from the completion of 4 projects during the year, The Pinnacle@ Duxton, Sembawang N4C15, Woodlands Driving Centre and The Suites@Central.

For the year ended FY2009, provision for foreseeable losses of $7.0 million relating to ex-gratia payment for increase in sand and concrete cost which might not be fully recoverable was offset by the reversal of foreseeable losses amounting to $6.2 million provided previously which was no longer required. In addition, the profit from a completed project, The Pinnacle@Duxton had been reduced by $6.0 million as a result of additional cost incurred.

As at 31 December 2009, the Group's outstanding order book stood at $391 million.

Property Development

Revenue contribution for the year ended FY2009 came from the sales of properties in Australia, sales of repossessed units from defaulted buyers of a completed project – Ventuno Balmoral and the sales of units from a wholly-owned development project – Oasis@ Elias, which was launched in early July 2009.

The decrease in revenue contribution from the Group's property development by 16.3% to $43.5 million for FY2009 compared to $52.0 million for FY2008 was due to lower revenue contribution from Oasis@Elias compared to Ventuno Balmoral in FY2008 as Oasis@Elias was launched for sales in the 3rd quarter 2009.

The share of results from associates increased by 73.2% to $85.2 million in FY2009 compared to $49.2 million in FY2008 was due to the progressive recognition of profits from joint development projects – The Parc Condominium, CityVista Residences, Grange Infinite and The Suites@Central.

Capitalising on the improvement of Singapore residential property market during the year, the Group launched a 388 units residential property project, Oasis@Elias in early July 2009.

The Group is expecting to obtain TOP for its two 50% joint venture development projects namely The Parc Condominium and CityVista Residences in the second half of 2010.

PROJECTS PORTFOLIO

Construction

Completed Projects in 2009

	Description	Owner
The Suites@Central at Devonshire Road	157 units in two 28 and 33-storey blocks with basement carparks, swimming pool and other communal facilities	Devonshire Development Pte Ltd (40:60 joint venture company between CEL and Keppel Land Properties Pte Ltd)
Sembawang Neighbourhood 4 Contract 15	New erection of public housing development comprising 471 units in a block of 16/19-storey & 3 blocks of 18-storey of residential buildings at Admiralty Link	HDB
The Pinnacle@Duxton	1,848 units in seven 50-storey residential blocks with skybridges, communal and commercial facilities	HDB
Woodlands Driving Centre	Erection of a multi-storey driving centre development comprising 2-storey driving block with roof circuit integrated with a 5-storey administration block on lot 5491P MK13 at Admiralty Road West, Woodlands Industrial Park E4/E5	Singapore Safety Driving Centre Ltd

Major On-Going Projects

	Description	Owner
The Parc Condominum at West Coast Road/Walk	659-unit condominium in seven 24-storey residential building with basement carpark, swimming pool and other communal facilities	CES-West Coast Pte Ltd (a 50:50 joint venture company between CEL and WP Mauritius Holdings)
CityVista Residences at Peck Hay Road	70-unit condominium in a block of 20-storey apartment with basement carpark, swimming pool and other communal facilities	PH Properties Pte Ltd (a 50:50 joint venture company between CEL and VM Mauritus Holdings)
Grange Infinite Condominium at Grange Road	68-unit condominium in a block of 36-storey apartment with carpark, swimming pool and other communal facilities	Grange Properties Pte Ltd (a 25:75 joint venture company between CEL and Asdew Acquisitions Pte Ltd)
Queenstown Re-development Contract 25	Re-development building works of 1,394 dwelling units	HDB
Building works at Sengkang Neighourhood 4 Contract 3	Building works of 698 dwelling units	HDB
Design & Build of Public Housing at Punggol West Contract 25	Design and Build of Public Housing in Punggol West	HDB
Oasis@Elias at Pasir Ris	388 residential units with full condominium faclities	CES Land Pte Ltd



Property Development

Completed Development in 2009

	Location	Description	No of units	Tenure	TOP	% of equity held
The Suites@Central	No. 57A & 57B Devonshire Road, Singapore	Condominium	157	Freehold	Feb-09	40%

Current Development

	Location	Description	No of units	Tenure	TOP	% of equity held
CityVista Residences	No. 21 Peck Hay Road, Singapore	Condominium	70	Freehold	2010	50%
The Parc Condominium	1,3,5,7,9,11,15 West Coast Walk, Singapore	Condominium	659	Freehold	2010	50%
Grange Infinite	No. 27 Grange Road, Singapore	Condominium	68	Freehold	2011	25%
Oasis@Elias	Elias Road, Singapore	Condominium	388	99 years	2012	100%

Proposed Development

	Location	Description	No of units	Tenure	Expected TOP	% of equity held
Development in Melbourne, Australia	MacKenzie Street	Residential Apartment with amenities	350	Freehold	2013	100%

SIGNIFICANT EVENTS

February 2009

- Full Year Financial Statement Announcement

  The Company released its full year financial statement announcement for FY2008 on 18 February 2009, followed by an analysts briefing on 20 February 2009.

- Completion of The Suites@Central

  The Group completed the construction of the residential condominium project – The Suites@Central. The development, which is a 40:60 joint venture between CEL and Keppel Land Properties Pte Ltd, consists of 157 units in two 28 and 33-storey blocks with basement carparks, swimming pool and other communal facilities.

April 2009

- Redemption and Cancellation of Series 001 S$60 Million Multicurrency Medium Term Note ("Notes")

  The Company's wholly-owned subsidiary, CEL Development Pte Ltd has on the maturity date of the Notes on 9 April 2009, fully redeemed and cancelled in full the Notes in accordance with the terms and conditions of the Notes.

- Annual General Meeting

  The Company held the meeting on 27 April 2009 and all routine and special businesses as set forth in the notice of AGM dated 9 April 2009 were duly passed by the shareholders of the Company.

May 2009

- First Quarter Financial Statement Announcement

  The Company released its first quarter financial statement announcement for FY2009 on 13 May 2009.

June 2009

- Completion of Sembawang Neighbourhood 4 Contract 15

  The Group completed the public housing project which comprised of 471 units in a block of 16/19-storey & 3 blocks of 18-storey residential buildings at Admiralty Link.

July 2009

- Launched Oasis@Elias – 99 Years Leasehold Condominium Development At Pasir Ris

  The Company's wholly-owned subsidiary, CES Land Pte Ltd launched Oasis@ Elias, a 99 years leasehold condominium development at Pasir Ris in early July 2009. The residential development comprises of 388 residential units with full condominium facilities.

August 2009

- Second Quarter Financial Statement Announcement

  The Company released its second quarter financial statement announcement for FY2009 on 11 August 2009, followed by an analysts briefing on 12 August 2009.

November 2009

- Third Quarter Financial Statement Announcement

  The Company released its third quarter financial statement announcement for FY2009 on 6 November 2009.

December 2009

- Completion of The Pinnacle@Duxton

  The Group completed the mega project which comprised of 1,848 units in seven 50-storey residential blocks with sky bridges, communal and commercial facilities.

- Completion of Woodlands Driving Centre

  The Group completed the erection of a multi-storey driving centre development which comprised of a 2-storey driving block with roof circuit integrated with a 5-storey administration block at Admiralty Road West, Woodlands Industrial Park E4/E5.

February 2010

- Full Year Financial Statement Announcement

  The Company released its full year financial statement announcement for FY2009 on 10 February 2010, followed by an analysts briefing on 11 February 2010.

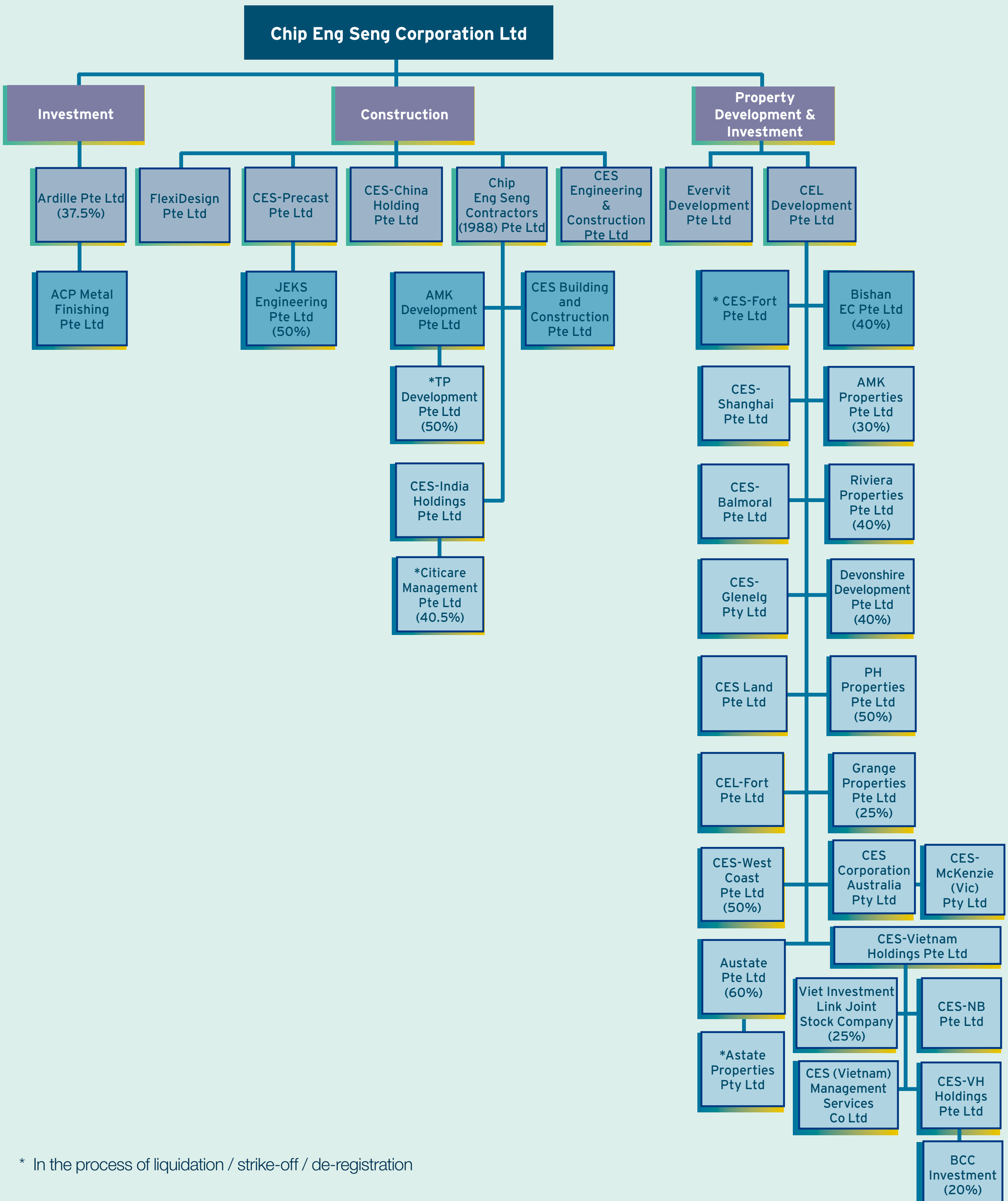
March 2010

- Award of Land Tender

  The Group has been awarded the tender for the land parcel in MacKenzie Street, Melbourne, Australia.

  The land is approximately 20,000 square feet and has a potential for development into a 32-level residential tower with approximately 350 apartments with facilities consisting of shop and licensed food & drink premises, including parking facilities.

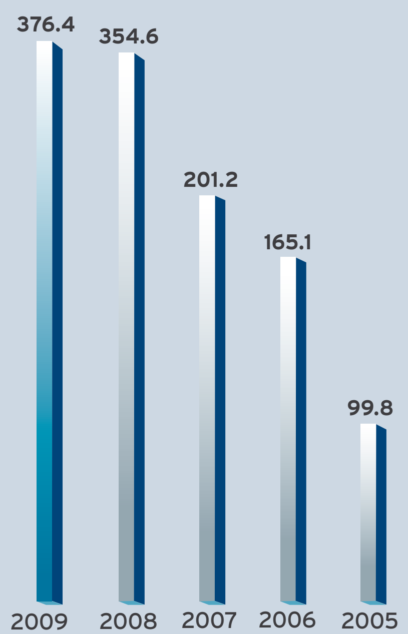
GROUP STRUCTURE



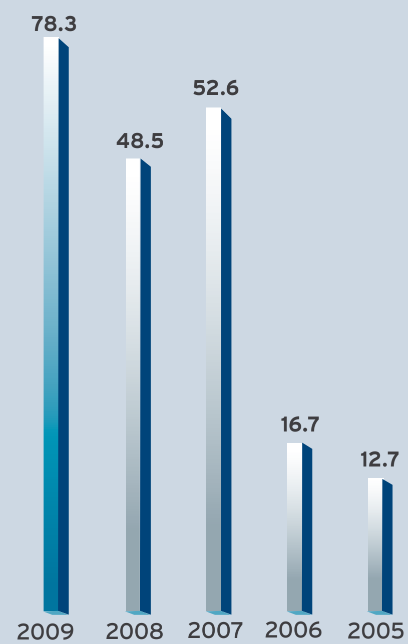
* In the process of liquidation / strike-off / de-registration

FINANCIAL HIGHLIGHTS

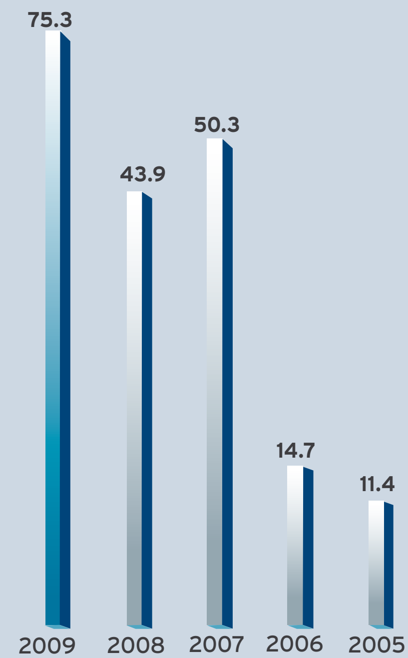
Turnover ($' million)



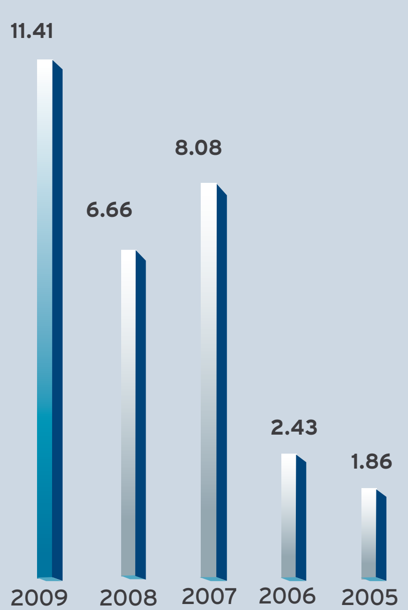
Profit before Tax ($' million)



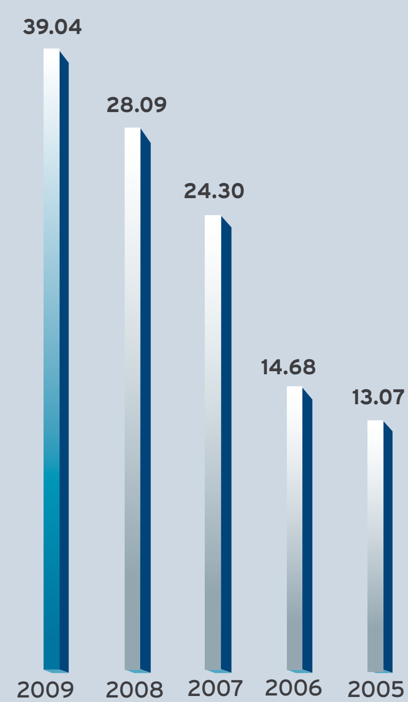
Profit after Tax ($' million)



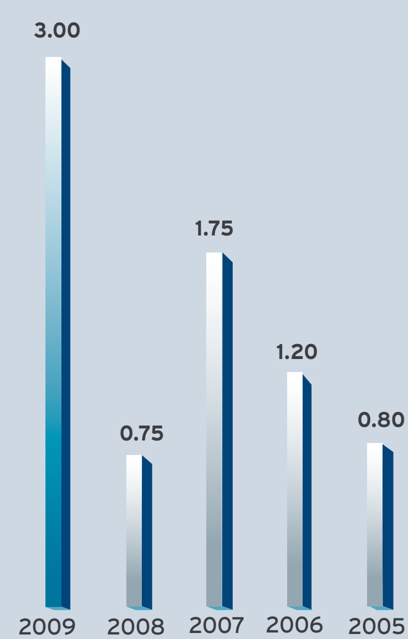
Earning per Share (cents)



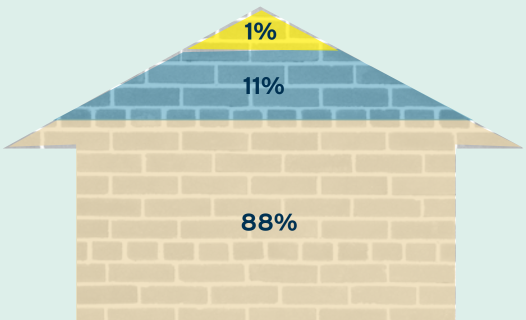
Net Asset Value Backing per Share (cents)



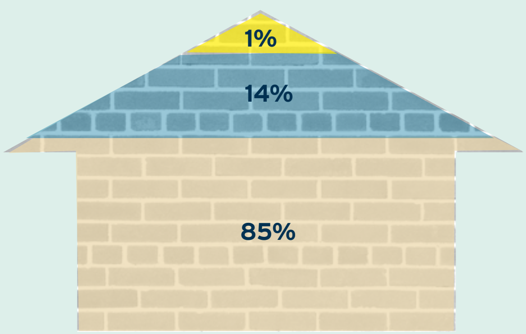
Net Dividend per Share (cents)



Revenue by Segment



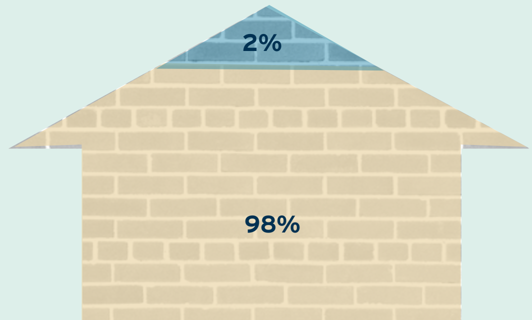
FY2009



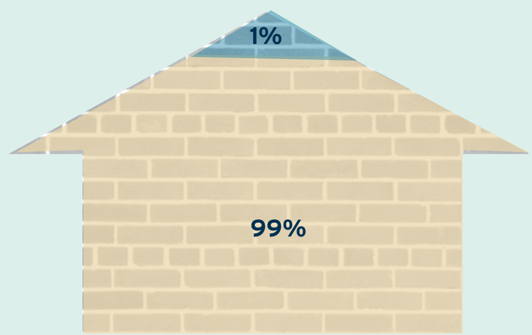
FY2008

- Construction
- Property Development
- Property Investment

Result by Geographical Segment



FY2009



FY2008

- Singapore
- Australia


Mr Lim Tiam Seng PBM


Mr Lim Tiang Chuan


Mr Chia Lee Meng Raymond

BOARD OF DIRECTORS

Mr Lim Tiam Seng PBM,
Executive Chairman

Mr Lim Tiam Seng, 72, is the founder of CES. He has been a Director of the Company since 23 October 1998. He is also a Director of some of the Company's subsidiaries and associates. Mr Lim has been in the building and construction industry for more than 40 years and possesses considerable experience in setting up corporate objectives, strategies and making investment decisions for the Group. Mr Lim is also a Director on the board of Ngee Ann Kongsi, a charitable organization and a patron of Yio Chu Kang Citizen's Consultative Committee.

Mr Lim Tiang Chuan,
Executive Deputy Chairman

Mr Lim Tiang Chuan, 57, has been a Director of the Company since 23 October 1998. He also holds directorship in some of the Company's subsidiaries and associates. He joined the Group's construction arm in 1982. He is responsible for the Group's overall operation and business expansion. Mr Lim became the Company's Executive Deputy Chairman on 6 June 2007 and continues to oversee the Group's overall operation and business expansion.

Mr Chia Lee Meng Raymond,
Group Chief Executive Officer

Mr Chia Lee Meng Raymond, 44, was appointed as a Director of the Company on 2 September 1999. In July 2006, he was appointed as Managing Director of CEL Development Pte Ltd. He is also a Director of several of the Group's subsidiaries and associates. Prior to joining CEL as a Project Manager in 1994, he was an Administrative Executive in T.C. Sin & Associates and a Senior Officer in the former Tat Lee Bank Ltd. Mr Chia holds a Bachelor Degree in Economics and Finance from Curtin University and a Master Degree in Finance from RMIT. On 6 June 2007, Mr Chia became the Group Chief Executive Officer. He is responsible for the overall Group's strategic operation and investment decision. Mr Chia is also the Chairman of Seacare Properties Pte Ltd, a wholly owned subsidiary of Seacare Co-operative Ltd and a director of Seacare Holdings Private Limited.


Miss Dawn Lim Sock Kiang


Mr Goh Chee Wee


Mr Hoon Tai Meng


Mr Ang Mong Seng

Miss Dawn Lim Sock Kiang,
Executive Director

Miss Dawn Lim Sock Kiang, 34, has been appointed as an Executive Director of the Company and CEL Development Pte Ltd on 1 December 2009. She is also a Director of several of the Group's subsidiaries. Miss Lim holds a Bachelor Degree in Architecture (Honours) from Deakin University, Melbourne, Australia. Prior to joining CEL as Project Director, she worked as a senior architect in Melbourne, Australia. Miss Lim is responsible for assisting the board in the business operation of the Company.

Mr Goh Chee Wee,
Independent Director

Mr Goh Chee Wee, 63, has been an Independent Director since 2 November 1999. He chairs the Audit and Remuneration Committees and is a member of the Nominating Committee. Mr Goh is the Chairman of NTUC First Campus Co-operative Ltd and a Director of NTUC Foodfare Co-operative Ltd. He also sits on the boards of several public listed companies. He was a former Minister of State for Trade & Industry, Labour & Communications and Member of Parliament for Boon Lay Constituency.

Mr Hoon Tai Meng,
Independent Director

Mr Hoon Tai Meng, 58, has been an Independent Director since 2 November 1999. He chairs the Nominating Committee and is a member of the Audit and Remuneration Committees. An Advocate and Solicitor, he is currently a Partner in KhattarWong. Mr Hoon holds a Bachelor of Commerce Degree in Accountancy from Nanyang University and a LLB (Honours) from the University Of London. He is a Fellow of the Chartered Institute of Management Accountants (UK), a Fellow of the Association of Chartered Certified Accountants (UK), a Fellow Certified Public Accountant in Singapore and a Barrister-At-Law (Middle Temple). He also sits on the boards of several other public and private companies.

Mr Ang Mong Seng,
Independent Director

Mr Ang Mong Seng, 60, has been an Independent Director since 19 March 2003. He is a member of the Audit, Remuneration and Nominating Committees. He is currently a Member of Parliament for Hong Kah GRC (Bukit Gombak), Chairman of Hong Kah Town Council and Chief Operating Officer of EM Services Pte Ltd. Mr Ang has more than 30 years of experience in estate management. He is also an Independent Director of Vicplas International Ltd, United Fiber System Ltd, AnnAik Ltd, Ecowise Holdings Ltd and Hoe Leong Corporation Ltd.

EXECUTIVE OFFICERS

Mr Yeo Siang Thong,
Managing Director

Mr Yeo joined the Group as Head of Construction Division. He is also the Managing Director of CESC. He holds an Honours Degree in Civil Engineering and a Master of Science (Civil Engineering) from the National University of Singapore. As a Registered Professional Engineer with the Professional Engineer Board, he spent a substantial amount of time in the Engineering and Project Departments for the Housing & Development Board and in the regional consultancy business for JTC International Pte Ltd.

Mr James Yuen Chew Loong,
General Manager

Mr Yuen joined CESC as General Manager on October 2008. He is in charge of the day to day operations, marketing and business development. Mr Yuen is a Professional Engineer and he holds degrees in Bachelor of Engineering (Civil), Master of Science (Civil) and Master of Business Administration. Mr Yuen has over 20 years of experience in design and construction and he has previously worked with the Housing and Development Board, several consultancy firms and construction companies. Prior to joining CESC, he held several key positions in a local construction company, including General Manager.

Mr Koh Chin Hah,
General Manager

Mr Koh is our Director and General Manager of our wholly-owned precast subsidiary, CES-Precast Pte Ltd ("CESP"). He has more than 20 years of experience in the pre-cast industry spanning from HDB public housing to private condominiums, schools to flatted factories, as well as MRT tunnel segments to fast track semi conductor & solar plants, etc. Mr Koh holds a Bachelor Degree in Engineering (Civil) from the University of Strathclyde, UK. Prior to joining CESP in 2007, he worked in a similar industry as General Manager in a public listed company. Mr Koh is also a Director in the associated company of CESP which deals with the manufacture and supply of precast hollow core slabs.

Mr Tan Swee Hong,
General Manager

Mr Tan is our General Manager in CEL and also a Director of CES-Balmoral Pte Ltd. Mr Tan has more than 25 years of experience in the construction industry. Prior to joining CEL, he worked as General Manager in the similar industry of a public listed company and Head of Construction Supervision Unit, under the Structural Engineering Department of HDB. As a General Manager, he oversees the management of all technical matters relating to the Property Division projects. Mr Tan holds a Bachelor Degree in Civil Engineering from the National University of Singapore and he is also a Professional Engineer with the Professional Engineers Board.

Mr Lim Tian Back,
Project Director

Mr Lim is our Project Director and he has more than 30 years of experience in the construction industry. He is also a director in some of the Company's subsidiaries. He joined Chip Eng Seng Contractors (1988) Pte Ltd as a Site Supervisor since its incorporation and was promoted to the position of Director in 1993. He is involved in project management and is responsible for handling all rectification work during the project defect liability period.

Mr Lim Tian Moh,
Project Director

Mr Lim is our Project Director and he has more than 20 years of experience in the construction industry. He holds directorship in some of the Company's subsidiaries. Mr Lim joined CESC as a Site Supervisor since its incorporation and was promoted to the position of Director in 1993. He is involve in project management and is responsible for handling all site administrative matters.

Mr Lim Beng Chuan,
Chief Financial Officer

Mr Lim joined the Group as our Chief Financial Officer. He is a Fellow Member of the Association of Chartered Certified Accountants (United Kingdom) and a Certified Public Accountant in Singapore. Prior to joining the Company, Mr Lim was an auditor with an international audit firm. He oversees the finance, accounting, tax and treasury functions of the Group and also assists the Group Chief Executive Officer in investment, investor relationship, human resource and business strategy matters.

Mr Nik Tan,
Regional Financial Controller

Mr Tan joined the Group as our Regional Financial Controller. He is a Fellow Member of the Association of Chartered Certified Accountants (United Kingdom) and a Certified Public Accountant in Singapore. Prior to joining the Group, Mr Tan was the Group Financial Controller for a company listed in the SGX. He is responsible for all financial matters, treasury functions and investment development in the region. He also assists the Chief Financial Officer in investor relationship and strategic projects.

Corporate Governance Report

The Company is committed to upholding high standards of corporate governance and to comply with the Code of Corporate Governance ("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 strives to enhance long term value and interests of its shareholders.

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

1 BOARD MATTERS

1.1 The Board's Conduct of its Affairs

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

The Board oversees the overall business directions, strategies and financial performances of the Group. The key roles of our Board are to:
- provide entrepreneurial leadership and directions for the Group;
- establish a proper risk management system to ensure that key potential risks faced by the Group are properly identified and managed;
- review management performance and discuss financial and operational matters; and
- set values and standards to ensure obligations to shareholders are met.

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

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

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

		Board Committees		
	Board	**Audit**	**Remuneration**	**Nominating**
No. of meetings held	**4**	**4**	**2**	**1**
		No. of Meetings Attended		
Directors				
Lim Tiam Seng	4	-	-	-
Lim Tiang Chuan	4	-	-	-
Chia Lee Meng Raymond	4	-	-	-
Dawn Lim Sock Kiang@	-	-	-	-
Goh Chee Wee	4	4	2	1
Hoon Tai Meng	4	4	2	1
Ang Mong Seng	4	4	2	1
Tan Shao Ming*	1	-	-	-
Daniel Matthew Anderson#	1	-	-	-

Corporate Governance Report (cont'd)

@ Appointed as a director on 1 December 2009.

* Resigned as a director and member of Remuneration and Nominating Committees on 20 March 2009. Andrew Ka Wing Fong ceased as an alternate director to Tan Shao Ming on 20 March 2009.

Resigned as a director and member of Remuneration and Nominating Committees on 20 March 2009. Zhong Tingting ceased as an alternate director to Daniel Matthew Anderson on 20 March 2009.

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

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

Upon appointment, a Director will receive a letter of appointment from the Board Chairman explaining his/her statutory duties and obligations as a Member of the Board. Apart from keeping the Board informed of all relevant new laws and regulations, the Directors are encouraged to attend training programmes conducted by the Singapore Institute of Directors in connection with their duties as Directors.

1.2 Board Composition and Guidance

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

The Board comprises 7 Directors, 3 of whom are Independent Directors. The Board has examined its size and is of the view that it is an appropriate size with the right mix of skills and experience given the scope and nature of the Group's operations. The Directors possess the necessary competencies to lead and govern the Group effectively. Details of the Directors' qualifications, business experience and other appointments are found at Board of Directors section of the Annual Report.

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

Corporate Governance Report (cont'd)

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

		Board Committee Membership		
Name of Directors	**Position**	**Audit**	**Remuneration**	**Nominating**
Lim Tiam Seng	Executive Chairman			
Lim Tiang Chuan	Executive Deputy Chairman			
Chia Lee Meng Raymond	Group Chief Executive Officer			
Dawn Lim Sock Kiang@	Executive Director			
Goh Chee Wee	Independent Director	Chairman	Chairman	Member
Hoon Tai Meng	Independent Director	Member	Member	Chairman
Ang Mong Seng	Independent Director	Member	Member	Member
Tan Shao Ming*	Non-executive Director		Member	Member
Daniel Matthew Anderson*	Non-executive Director		Member	Member

@ Appointed as a director on 1 December 2009.
* Resigned as a director and member of Remuneration and Nominating Committees on 20 March 2009.

1.3 Chairman and Group Chief Executive Officer

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

The roles and responsibilities between the Chairman and the Group Chief Executive Officer 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, the Chairman, is the father-in-law of Mr Chia Lee Meng Raymond, the Group Chief Executive Officer of the Company.

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

The primary role of the Group Chief Executive Officer is to effectively manage and supervise the day-to-day business operations of the Group in accordance with the strategy, policies, budgets and business plans approved by the Board. He is assisted by the Executive Directors, Managing Director, Chief Financial Officer, General Managers and Regional Financial Controller to oversee the daily running of the Group's operations and execution of strategies and policies.

Corporate Governance Report (cont'd)

1.4 Board Membership

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

The Board established a Nominating Committee ("NC") which comprises of Mr Hoon Tai Meng, Mr Ang Mong Seng and Mr Goh Chee Wee, all of whom are Non-Executive and Independent Directors. The Chairman of the NC is Mr Hoon Tai Meng, who is not directly associated with any substantial shareholder.

The year of initial appointment and last re-election of the Directors is set out below:

Name of Directors	Position	Date of First Appointment	Date of Last Re-election	Due for re-election at next AGM
Lim Tiam Seng	Executive Chairman	23 October 1998	27 April 2009	Retirement (Section 153)
Lim Tiang Chuan	Executive Deputy Chairman	23 October 1998	25 April 2008	Retirement by rotation (Article 115)
Chia Lee Meng Raymond	Group Chief Executive Officer	2 September 1999	25 April 2008	N.A
Dawn Lim Sock Kiang	Executive Director	1 December 2009	N.A	Retirement (Article 119)
Goh Chee Wee	Independent Director	2 November 1999	27 April 2009	N.A
Hoon Tai Meng	Independent Director	2 November 1999	27 April 2009	N.A
Ang Mong Seng	Independent Director	19 March 2003	27 April 2007	Retirement by rotation (Article 115)

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

a. Assessment of the Board's performance as a whole;
b. Recommendation for the re-election of Mr Lim Tiam Seng who is due for retirement pursuant to Section 153 of the Companies Act, Cap. 50;
c. Recommendation for the re-election of Mr Lim Tiang Chuan and Mr Ang Mong Seng who are due for retirement by rotation pursuant to Article 115 of the Company's Articles of Association at the forthcoming Annual General Meeting (having regard to their performance and contribution);
d. Recommendation for the re-election of Ms Dawn Lim Sock Kiang pursuant to Article 119 of the Company's Articles of Association;
e. The skills and size required by the Board;
f. The independence of each Director, and that the Board comprises at least one-third Independent Directors; and
g. The multiple board representations of Directors and is satisfied that these Directors are able to and have adequately carried out their duties as Directors of the Company.

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

Process for appointment of new directors

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

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

Corporate Governance Report (cont'd)

1.5 Board Performance

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

The NC assesses the effectiveness of the Board as a whole on an annual basis. At the end of each year, each board member is required to complete a board appraisal form and to send the forms to the NC's Chairman within 5 working days before the NC meeting. Based on the returns, the NC's 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 over a five-year period vis-à-vis the Singapore Straits Times Index and a benchmark of its industry peers.

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

1.6 Access to Information

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

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

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

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

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

Corporate Governance Report (cont'd)

2 REMUNERATION MATTERS

2.1 Procedures for Developing Remuneration Policies

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

The Board established a Remuneration Committee ("RC") which comprises Mr Goh Chee Wee, Mr Hoon Tai Meng and Mr Ang Mong Seng, all of whom are Non-Executive Directors. Mr Goh Chee Wee, Mr Hoon Tai Meng and Mr Ang Mong Seng are Independent Directors. The Chairman of the RC is Mr Goh Chee Wee.

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

2.2 Level and Mix of Remuneration

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

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

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

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

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

Corporate Governance Report (cont'd)

2.3 Disclosure on Remuneration

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

The level and mix of remuneration of Directors of the Company and the remuneration of the Group's top nine key executives (who are not directors) for the year ended 31 December 2009 are as follows:

a. Directors

Remuneration Bands and Name of Directors	Base[1] Salary	Variable[2] Payment	Other[3] Benefits	Fees[4]
$900,000 and more				
Lim Tiam Seng	17%	82%	1%	-
Lim Tiang Chuan	23%	76%	1%	-
Chia Lee Meng Raymond	14%	85%	1%	-
$150,000 to $899,999				
None				
Below $150,000				
Dawn Lim Sock Kiang	93%	-	7%	-
Goh Chee Wee	-	-	-	100%
Hoon Tai Meng	-	-	-	100%
Ang Mong Seng	-	-	-	100%
Tan Shao Ming (resigned on 20 March 2009)	-	-	-	-
Daniel Matthew Anderson (resigned on 20 March 2009)	-	-	-	-

b. Top nine key executives

Remuneration Bands and Name of Key Executives	Base[1] Salary	Variable[2] Payment	Other[3] Benefits	Fees[4]
$300,000 to $449,999				
Yeo Siang Thong	75%	21%	4%	-
Koh Chin Hah	34%	66%	-	-
$150,000 to $299,999				
Lim Ling Kwee	70%	12%	18%	-
Lim Tian Back	69%	13%	13%	5%
Lim Tian Moh	69%	12%	12%	7%
Tan Swee Hong	90%	5%	5%	-
Yuen Chew Loong James	79%	11%	3%	7%
Lim Beng Chuan	85%	11%	4%	-
Nik Tan	93%	3%	4%	-
Below $150,000				
None				

Corporate Governance Report (cont'd)

1. Base salaries include contractual bonus.
2. Variable payment includes performance bonus, profit sharing and Employer's Central Provident Fund contribution.
3. Other benefits refer to benefit-in-kind such as car subsidy and car benefits made available as appropriate.
4. Subject to approval by shareholders of the Company/subsidiary companies as a lump sum at the annual general meeting for the financial year ended 31 December 2009.

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

Lim Tian Back and Lim Tian Moh are siblings of Executive Chairman and Executive Deputy Chairman; Lim Ling Kwee is son of Executive Chairman, nephew of Executive Deputy Chairman, brother-in-law of CEO and brother of Executive Director, Dawn Lim Sock Kiang. Their remuneration exceeded $150,000 during the year ended 31 December 2009.

The Board is of the opinion that it is not necessary that the remuneration policies be approved at the annual general meeting as the RC has reviewed it.

3 ACCOUNTABILITY AND AUDIT

3.1 Accountability

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

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

3.2 Audit Committee ("AC")

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

The Board established an AC which comprises Mr Goh Chee Wee, Mr Hoon Tai Meng and Mr Ang Mong Seng, all of whom are Independent Directors. The Chairman of the AC is Mr Goh Chee Wee. The Board is of the view that the members of the AC have sufficient financial management expertise and experience to discharge the AC's functions.

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

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

a. The annual audit plan of the Company's internal and external auditors and ensures the adequacy of the Company's system of accounting controls and the co-operation given by the Company's management to the external and internal auditors;

Corporate Governance Report (cont'd)

b. The results of the external auditors' examination and their evaluation of the Group's internal control system;
c. The nature and extent of non-audit services provided by the external auditors - the AC was satisfied that the nature and extend of such services would not affect the independence of the external auditors;
d. The cost effectiveness and the independence and objectivity of the external auditors;
e. The recommendation for re-appointment of Messrs Ernst & Young as auditors of the Company for the ensuing year;
f. The reports and findings from the internal auditors in respect of the adequacy of the Company's internal controls in management, business and service systems and practices; and
g. The results announcements of the consolidated financial statements of the Group before their submission to the Board of Directors for approval of release of the results announcement to the SGX-ST.

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

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

3.3 Internal Controls

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

The Board is responsible for ensuring that the Management maintained a sound system of internal controls to safeguard shareholders' investment and the assets of the Group. The AC, with the assistance of internal and external auditors has reviewed, and the Board believes that, in the absence of any evidence to the contrary, the system of internal controls maintained by the Company's Management which was in place throughout the financial year and up to the date of this report provides reasonable, but not absolute, assurance against material financial misstatements or loss, and includes the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practice, and the identification and containment of business risk. The Board notes that no system of internal controls could provide absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, losses, fraud or other irregularities.

3.4 Internal Audit

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

The Group's internal audit function was outsourced to a professional firm that reports directly to the Chairman of the AC, and administratively to the Group Chief Executive Officer. During the year, the internal auditors carried out one visit to review and ascertain whether the internal control system established by the Management is adequate to address the risks associated with the business process selected for review and to highlight to the Management areas of weakness. Their reports that include findings and recommendations were tabled to the AC and Management.

Corporate Governance Report (cont'd)

4 COMMUNICATION WITH SHAREHOLDERS

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

The Company is committed to providing its investors with a high level of transparency by engaging in regular, effective and fair communication with shareholders. In line with continuous disclosure obligations of the Company pursuant to the SGX-ST's Listing Rules, the Board's policy is to provide timely information to all shareholders of all major developments that impact the Group via SGXNET, Press Releases, Annual Reports and Company's website at www.chipengseng.com.sg.

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

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

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

Additional Information

(SGX-ST Listing Manual Requirements)

Interested Person Transactions
[Rule 907]
There was no interested person transaction entered during the financial year under review.

Material Contracts
[Rule 1207(8)]
Except as disclosed in Note 31 (Related Party Disclosures) 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 Chief Executive Officer, 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.

Employees' Share Option Scheme (ESOS)
[Rule 852]
An ESOS was set up in July 2001, which provides certain Directors (executive and non-executive) and employees of the Company and its subsidiaries with an opportunity to participate in the equity of the Company and to motivate them towards better performance and dedication.

The ESOS committee comprises:
Goh Chee Wee (Chairman)
Hoon Tai Meng
Ang Mong Seng
Tan Shao Ming (Resigned on 20 March 2009)
Daniel Matthew Anderson (Resigned on 20 March 2009)

Since its inception, no options were granted.

Dealings in Company's Securities
[Rule 1207(18)]
The Company has issued an Internal Compliance Code on Dealings in Securities to Directors and key employees (including employees with access to price-sensitive information to the Company's shares) of the Group setting out the implications of insider trading.

Under this Code, the Directors and key employees covered by this Code are prohibited in dealing in the Company's shares at least two weeks before the release of the quarterly financial results and one month before the release of full year financial results to the SGX-ST, and ending on the release of such announcements.

In view of the processes in place, in the opinion of the Directors, the Company has complied with Listing Rule 1207(18) on Dealings in Securities.

Risk Management Policies and Processes
[Rule 1207(4)(b)(iv)]

Business Risk
The Group has undertaken a broad spectrum of construction projects from both the private and public sectors, including HDB projects, columbarium, residential & commercial properties, shophouses, institutional & industrial buildings and precast projects. Its construction business is subject to the cyclical nature of construction industry in Singapore and the construction in public housings is directly affected by the public housing policies.

Additional Information (cont'd)

The Group has since 2000, been actively acquiring and developing residential, commercial and industrial properties in Singapore either on its own or with joint venture partners. Besides its presence in Singapore property market, the Group has ventured in the growing property market of Australia and Vietnam. The Group will continue to acquire land for development in Singapore as well as in overseas to boost growth.

The Group's continued success is affected by land sales policies, lending law for property developers and end-purchaser. It is also affected by political and economic uncertainties in the region. The Group will continue to adopt a cautious approach and to exercise due diligence with its investment.

Operational risk
In the events of any delays in the completion of any project the Group may be liable to pay liquidated damages. The quantum of liquidated damages payable is normally specified in the contracts. The Group manages this risk through appointing competent construction project team to manage subcontractors that have proven to be reliable as well as in analysing any potential risks prior to the commencement of any construction projects to minimize any uncertainties. In the case of delivery of development project, the development project team appoints experience consultants to awards reliable main contractor to design and build the Group's development project.

Investment Risk
The Board of Directors has overall responsibility for determining the level and type of business risk that the Group undertakes. All major construction tenders and property development proposals are submitted to Executive Directors for approval.

The Group has to be alert and cautious in estimating its tender price, as any under estimation in prices and volumes of major construction materials would erode the profit margin. The Group has implemented adequate controls in its process for tender. These include getting reliable quotations from subcontractors and making reasonable and prudent assumption in prices of major construction materials. The key management reviews its costs at various stages to ensure that the construction costs are kept within budget. Any potential overrun in costs would be investigated and rectified immediately if they are controllable.

Property development business involves high capital outlay. The success and profitability of the projects is subject to varying degrees of housing and mortgage financing policies which could affect the demand and pricing of the development project. All significant project development proposals are carefully evaluated before submitting for Board to approve.

Financial Risk
The Group is exposed to a variety of financial risks, including interest rates, foreign currency, credit and liquidity risks. The management of financial risks is outlined under Note 35 of the Notes to the Financial Statements.

Key Executive Personnel
The success of the Group depends on the leadership, industry & technical knowledge and business acumen of certain key executive personnel. The loss of services of certain key executive personnel may have material effect on the Group's operation and business expansion.

In order to meet the demand of its current and future projects, the Group will need to attract, motivate and retain qualified professionals who have relevant industry experiences to expand the Group businesses regionally. It has also a system in place to identify, develop and retain high potential staff to take up key responsibilities.

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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 2009.

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	(Group Chief Executive Officer)
Dawn Lim Sock Kiang	(Appointed as Executive Director on 1 December 2009)
Goh Chee Wee	
Hoon Tai Meng	
Ang Mong Seng	

In accordance with Article 115 of the Company's Articles of Association, Lim Tiang Chuan and Ang Mong Seng retire and, being eligible, offer themselves for re-election.

In accordance with Article 119 of the Company's Articles of Association, Dawn Lim Sock Kiang retires and, being eligible, offers herself 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

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 the 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 1.1.2009/ at date of appointment**	**At 31.12.2009**	**At 21.01.2010**	**At 1.1.2009/ at date of appointment**	**At 31.12.2009**	**At 21.01.2010**
Ordinary shares						
Lim Tiam Seng	65,499,000	65,499,000	65,499,000	17,198,000	17,198,000	17,198,000
Lim Tiang Chuan	44,177,000	44,177,000	44,177,000	–	–	–
Chia Lee Meng Raymond	5,625,000	5,625,000	5,625,000	14,702,000	14,702,000	14,702,000
Dawn Lim Sock Kiang	15,377,000	15,377,000	15,377,000	–	–	–
Goh Chee Wee	1,062,500	1,062,500	1,062,500	–	–	–
Hoon Tai Meng	1,062,500	1,062,500	1,062,500	–	–	–
Ang Mong Seng	100,000	100,000	100,000	–	–	–

Directors' Report (cont'd)

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 interest 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 offers the following share plans:

(a) Chip Eng Seng Performance Share Plan
(b) Chip Eng Seng Employees' Share Option Scheme 2001

At an Extraordinary General Meeting held on 27 April 2007, shareholders approved the Chip Eng Seng Performance Share Plan. It recognises and rewards past contributions and services, and motivates Participants to ensure the long-term success of the Company.

At an Extraordinary General Meeting held on 18 July 2001, shareholders approved the Chip Eng Seng Employees' Share Option Scheme 2001 for the granting of non-transferable options that are settled by physical delivery of the ordinary shares of the Company, to certain Directors (executive and non-executive) and employees of the Company and its subsidiaries with an opportunity to participate in the equity of the Company and to motivate them towards better performance and dedication.

All share plans are administered by the Remuneration Committee which comprises the following directors:

Goh Chee Wee (Chairman)
Hoon Tai Meng
Ang Mong Seng

No option and performance shares have been granted since the approval of these plans.

Directors' Report (cont'd)

Audit Committee

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

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

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

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

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

Auditors

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

On behalf of the board of directors:

Lim Tiam Seng
Executive Chairman

Chia Lee Meng Raymond
Group Chief Executive Officer

Singapore
18 March 2010

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 2009 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
Group Chief Executive Officer

Singapore
18 March 2010

Independent Auditors' Report

For the financial year ended 31 December 2009

To the members of Chip Eng Seng Corporation Ltd

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 38 to 100, which comprise the balance sheets of the Group and the Company as at 31 December 2009, the statement 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 notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes 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; 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; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' 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 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 and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Independent Auditors' Report (cont'd)

Opinion

In our opinion,

(i) 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 2009 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; and

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

Ernst & Young LLP
Public Accountants and
Certified Public Accountants
Singapore

18 March 2010

Consolidated Income Statement

For the financial year ended 31 December 2009

	Note	2009 $'000	2008 $'000
Revenue	4	376,435	354,591
Cost of sales		(369,286)	(340,469)
Gross profit		7,149	14,122
Other items of income			
Interest income	5	5,235	5,562
Dividend income from investment securities		4	80
Other income	6	4,725	959
Other items of expense			
Marketing and distribution		(3,056)	(1,229)
Administrative expenses		(17,161)	(16,602)
Finance costs	7	(3,768)	(3,592)
Share of results of associates		85,209	49,204
Profit before tax	8	78,337	48,504
Income tax expense	9	(3,012)	(4,645)
Profit net of tax		75,325	43,859
Profit attributable to:			
Equity holders of the Company		75,271	43,899
Minority interest		54	(40)
		75,325	43,859
Earnings per share attributable to equity holders of the Company (cents per share)			
Basic earnings per share	10	11.41	6.66
Diluted earnings per share	10	11.41	6.66

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 2009

	2009 $'000	2008 $'000
Profit net of tax	75,325	43,859
Other comprehensive income:		
Net gain/(loss) on available-for-sale financial assets	928	(6,358)
Foreign currency translation	913	(984)
Other comprehensive income/(loss) for the year, net of tax	1,841	(7,342)
Total comprehensive income for the year	77,166	36,517
Total comprehensive income attributable to:		
Equity holders of the Company	77,112	36,557
Minority interests	54	(40)
	77,166	36,517

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

Balance Sheets

at 31 December 2009

	Note	Group 2009 $'000	Group 2008 $'000	Company 2009 $'000	Company 2008 $'000
Non-current assets					
Property, plant and equipment	11	2,705	3,010	465	352
Investment properties	12	30,206	29,806	–	–
Intangible assets	13	92	104	3	3
Investment in subsidiaries	14	–	–	33,302	29,602
Investment in associates	15	170,517	106,108	650	650
Other receivables	16	34,758	114,941	74,816	52,869
Investments securities	17	2,337	1,215	2,119	1,120
Current assets					
Gross amount due from customers for contract work-in-progress	18	1,292	8,867	–	–
Completed properties held for sale	19	3,494	6,902	–	–
Development properties	20	118,644	133,124	–	–
Prepaid operating expenses		176	181	2	2
Trade and other receivables	16	151,938	96,883	10,664	5,847
Cash and cash equivalents	21	76,104	47,891	3,171	801
		351,648	293,848	13,837	6,650
Deduct: Current liabilities					
Loans and borrowings	22	24,500	100,517	–	–
Gross amount due to customers for contract work-in-progress	18	76,992	25,669	–	–
Provisions	23	633	850	–	–
Trade and other payables	24	120,672	134,183	8,816	339
Other liabilities	25	16,803	9,264	8,202	4,552
Derivatives	26	20	–	–	–
Income tax payable		4,782	7,168	479	20
		244,402	277,651	17,497	4,911
Net current assets/ (liabilities)		107,246	16,197	(3,660)	1,739
Deduct: Non-current liabilities					
Loans and borrowings	22	89,048	85,600	–	–
Deferred tax liabilities	27	1,131	319	5	10
		90,179	85,919	5	10
Net assets		257,682	185,462	107,690	86,325

Balance Sheets (cont'd)

	Note	Group 2009 $'000	Group 2008 $'000	Company 2009 $'000	Company 2008 $'000
Equity attributable to equity holders of the Company					
Share capital	28(a)	79,691	79,691	79,691	79,691
Treasury shares	28(b)	(4,826)	(4,826)	(4,826)	(4,826)
Retained earnings		184,398	114,073	35,712	15,275
Other reserves	29	(1,810)	(3,651)	(2,887)	(3,815)
		257,453	185,287	107,690	86,325
Minority interest		229	175	–	–
Total equity		257,682	185,462	107,690	86,325

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 2009

Group		Attributable to equity holders of the Company					
2009	**Equity, total $'000**	**Equity attributable to equity holders of the Company, total $'000**	**Share capital (Note 28a) $'000**	**Treasury shares (Note 28b) $'000**	**Retained earnings $'000**	**Other reserves, total (Note 29) $'000**	**Minority interest $'000**
Opening balance at 1 January 2009	185,462	185,287	79,691	(4,826)	114,073	(3,651)	175
Profit net of tax	75,325	75,271	–	–	75,271	–	54
Other comprehensive income for the year	1,841	1,841	–	–	–	1,841	–
Total comprehensive income for the year	77,166	77,112	–	–	75,271	1,841	54
Dividend for 2008 - paid (first and final dividend of 0.75 cent per share, tax exempt, one-tier tax)	(4,946)	(4,946)	–	–	(4,946)	–	–
Closing balance at 31 December 2009	257,682	257,453	79,691	(4,826)	184,398	(1,810)	229
2008							
Opening balance at 1 January 2008	160,487	160,272	79,691	(4,826)	81,716	3,691	215
Profit net of tax	43,859	43,899	–	–	43,899	–	(40)
Other comprehensive income for the year	(7,342)	(7,342)	–	–	–	(7,342)	–
Total comprehensive income for the year	36,517	36,557	–	–	43,899	(7,342)	(40)
Dividend for 2007 - paid (first and final dividend of 0.75 cent per share, tax exempt, one-tier tax and special dividend of 1.00 cent per share, tax exempt, one-tier tax)	(11,542)	(11,542)	–	–	(11,542)	–	–
Closing balance at 31 December 2008	185,462	185,287	79,691	(4,826)	114,073	(3,651)	175

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

Statements of Changes in Equity (cont'd)

Company 2009	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 2009	86,325	79,691	(4,826)	15,275	(3,815)
Profit net of tax	25,383	–	–	25,383	–
Other comprehensive income for the year	928	–	–	–	928
Total comprehensive income for the year	26,311	–	–	25,383	928
Dividend for 2008 - paid (first and final dividend of 0.75 cent per share, tax exempt, one-tier tax)	(4,946)	–	–	(4,946)	–
Closing balance at 31 December 2009	107,690	79,691	(4,826)	35,712	(2,887)
2008					
Opening balance at 1 January 2008	94,225	79,691	(4,826)	16,817	2,543
Profit net of tax	10,000	–	–	10,000	–
Other comprehensive loss for the year	(6,358)	–	–	–	(6,358)
Total comprehensive income/(loss) for the year	3,642	–	–	10,000	(6,358)
Dividend for 2007 - paid (first and final dividend of 0.75 cent per share, tax exempt, one-tier tax and special dividend of 1.00 cent per share, tax exempt, one-tier tax)	(11,542)	–	–	(11,542)	–
Closing balance at 31 December 2008	86,325	79,691	(4,826)	15,275	(3,815)

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 2009

	Note	2009 $'000	2008 $'000
Operating activities			
Profit before tax		78,337	48,504
Adjustments for:			
Amortisation of intangible assets	13	12	22
Depreciation of property, plant and equipment	11	992	883
Interest income		(5,235)	(5,562)
Dividend income from investment securities		(4)	(80)
Finance costs		3,768	3,592
Net gain on disposal of property, plant and equipment		(86)	(456)
Foreign currency translation adjustment		916	(985)
Net fair value (gain)/loss on investments securities		(194)	245
Provision for foreseeable losses		706	11,904
Share of results of associates		(85,209)	(49,204)
Net fair value (gain)/loss on investment properties		(400)	900
Net loss on disposal of investment securities		–	44
(Reversal of)/impairment loss on trade receivables		(2,477)	2,477
Net fair value loss on interest rate swap		20	–
Operating (loss)/profit before changes in working capital		(8,854)	12,284
Decrease in completed properties		3,408	7,298
Decrease/(increase) in development properties		14,480	(103,014)
Decrease in prepaid operating expenses		25	48
Decrease/(increase) in trade and other receivables		11,374	(49,031)
Increase in gross amount due to customers for contract work-in-progress		57,974	352
(Decrease)/increase in trade and other payables		(12,397)	79,911
Increase/(decrease) in other liabilities		7,539	(2,740)
Cash flows from/(used in) operations		73,549	(54,892)
Interest paid		(4,902)	(2,986)
Interest received		1,034	2,731
Income taxes paid		(4,587)	(1,716)
Net cash flows from/(used in) operating activities		65,094	(56,863)

Consolidated Cash Flow Statement (cont'd)

	2009 $'000	2008 $'000
Investing activities		
Purchase of property, plant and equipment	(757)	(1,654)
Proceeds from disposal of property, plant and equipment	155	554
Investment in associates	–	(4,074)
Dividend income from associates and investment securities	20,803	5,337
Proceeds from/(advances to) associates	20,433	(7,323)
Purchase of investment securities	–	(70)
Proceeds from disposal of intangible assets	–	110
Net cash flows generated from/(used in) investing activities	40,634	(7,120)
Financing activities		
(Repayment of)/proceeds from loans and borrowings	(72,552)	100,983
Dividends paid on ordinary shares	(4,946)	(11,542)
Repayment of obligations under finance leases	(17)	(67)
Net cash flows (used in)/generated from financing activities	(77,515)	89,374
Net increase in cash and cash equivalents	28,213	25,391
Cash and cash equivalents at beginning of the year	47,891	22,500
Cash and cash equivalents at end of the year (Note 21)	76,104	47,891

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 2009

1. Corporate information

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

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

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

Details of the subsidiaries and associates as at 31 December 2009 are:

	Name of Company	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2009	2008
	Subsidiary companies				
	Held by the Company				
^	Chip Eng Seng Contractors (1988) Pte Ltd	Singapore	General building contractors	100	100
^	CEL Development Pte. Ltd.	Singapore	General building contractors, property developers and property investors	100	100
^	Evervit Development Pte Ltd	Singapore	Property investors	100	100
^	FlexiDesign Pte Ltd	Singapore	Dormant	100	100
^	CES Engineering & Construction Pte. Ltd.	Singapore	General building contractors	100	100
^	CES-Precast Pte. Ltd.	Singapore	Manufacturing and trading of precast products	100	–
#	CES-China Holding Pte. Ltd.	Singapore	Investment holding	100	100
	Held by subsidiaries				
^	CES-Balmoral Pte. Ltd.	Singapore	Property developers	100	100
	CES-Fort Pte. Ltd.	Singapore	In the process of liquidation	100	100
^	CES-Shanghai Pte. Ltd.	Singapore	Property developers	100	100
^	CES-India Holding Pte. Ltd.	Singapore	Investment holding	100	100
^	Austate Pte. Ltd.	Singapore	Investment holding	60	60
	Astate Properties Pty Ltd	Australia	In the process of liquidation	60	60

Notes to the Financial Statements (cont'd)

1. Corporate information (cont'd)

Name of Company	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2009	2008
Held by subsidiaries				
* CES Glenelg Pty Ltd	Australia	Property developers	100	100
^ CES-Precast Pte. Ltd.	Singapore	Manufacturing and trading of precast products	–	100
^ CES-Vietnam Holdings Pte. Ltd.	Singapore	Investment holding	100	100
^ CES Land Pte. Ltd.	Singapore	Property developers	100	100
^ CES-NB Pte. Ltd.	Singapore	Investment holding	100	100
^ CES-VH Holdings Pte. Ltd.	Singapore	Investment holding	100	100
^ AMK Development Pte. Ltd.	Singapore	Dormant	100	100
^ CES Building and Construction Pte. Ltd.	Singapore	General building engineering services	100	100
^^ CES (Vietnam) Management Services Co., Ltd.	Vietnam	Project management and consultancy	100	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
Saptasree Singapore Pte. Ltd.	Singapore	Liquidated during the year	–	25
Held by subsidiaries				
^^^Bishan EC Pte Ltd	Singapore	Property developers	40	40
^^^AMK Properties Pte. Ltd.	Singapore	Property developers	30	30
^^^Riviera Properties Pte. Ltd.	Singapore	Property developers	40	40
^ Devonshire Development Pte. Ltd.	Singapore	Property developers	40	40

Notes to the Financial Statements (cont'd)

1. Corporate information (cont'd)

	Name of Company	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2009	2008
	Held by subsidiaries				
	Citicare Management Pte. Ltd.	Singapore	In the process of liquidation	41	41
^^^	PH Properties Pte. Ltd.	Singapore	Property developers	50	50
^^^	CES-West Coast Pte. Ltd.	Singapore	Property developers	50	50
^^^^	Grange Properties Pte. Ltd.	Singapore	Property developers	25	25
^^	Viet Investment Link Joint Stock Company	Vietnam	Property developers	49	25
^	JEKS Engineering Pte. Ltd.	Singapore	Manufacturing and trading of precast products	50	50
	TP Development Pte. Ltd.	Singapore	In the process of striking off	50	50
#	BCC Investment	Vietnam	Property developers	20	20

No audited accounts as company has not commenced business since incorporation/registration.
* Audited by BDO Chartered Accountants & Advisers in Australia.
** Audited by RSM Chio Lim LLP, Singapore, Certified Public Accountants.
^ Audited by Ernst & Young LLP, Singapore, Certified Public Accountants.
^^ Audited by member firms of Ernst & Young Vietnam Limited.
^^^ Audited by Deloitte & Touche LLP, Singapore, Certified Public Accountants.
^^^^ Audited by PricewaterhouseCoopers LLP, Singapore, Certified Public Accountants.

In accordance to Rule 716 of The Singapore Exchange Securities Trading Limited – Listing Rules, the Audit Committee and Board of Directors of the Company confirmed that they are satisfied that the appointment of different auditors of its subsidiaries and significant associated companies would not compromise the standard and effectiveness of the audit of the Company.

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.

Notes to the Financial Statements (cont'd)

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

2.2 Change in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2009, the Group adopted the following standards and interpretations mandatory for annual financial periods beginning on or after 1 January 2009:

- FRS 1 *Presentation of Financial Statements (Revised)*
- Amendments to FRS 18 *Revenue*
- Amendments to FRS 23 *Borrowing Costs*
- Amendments to FRS 32 *Financial Instruments: Presentation* and FRS 1 *Presentation of Financial Statements* – Puttable Financial Instruments and Obligations Arising on Liquidation
- Amendments to FRS 101 *First-time Adoption of Financial Reporting Standards* and FRS 27 *Consolidated and Separate Financial Statements* – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- Amendments to FRS 102 *Share-based Payment* – Vesting Conditions and Cancellations
- Amendments to FRS 107 *Financial Instruments: Disclosures*
- FRS 108 *Operating Segments*
- Improvements to FRSs issued in 2008
- INT FRS 113 *Customer Loyalty Programmes*
- INT FRS 116 *Hedges of a Net Investment in a Foreign Operation*
- Amendments to INT FRS 109 *Reassessment of Embedded Derivatives* and FRS 39 *Financial Instruments: Recognition and Measurement* – Embedded Derivatives
- INT FRS 118 *Transfers of Assets from Customers*

Adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group. They did however give rise to additional disclosures, including, in some cases, revisions to accounting policies.

The principal effects of these changes are as follows:

<u>FRS 1 *Presentation of Financial Statements* – Revised presentation</u>

The revised FRS 1 separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented in the statement of other comprehensive income. In addition, the Standard introduces the statement of comprehensive income which presents income and expense recognised in the period. This statement may be presented in one single statement, or two linked statements. The Group has elected to present this statement as two linked statements.

<u>Amendments to FRS 107 *Financial Instruments: Disclosures*</u>

The amendments to FRS 107 require additional disclosure about fair value measurement and liquidity risk. Fair value measurements are to be disclosed by source of inputs using a three level hierarchy for each class of financial instrument. In addition, reconciliation between the beginning and ending balance for Level 3 fair value measurements is now required, as well as significant transfers between Level 1 and Level 2 fair value measurements. The amendments also clarify the requirements for liquidity risk disclosures. The fair value measurement disclosures and liquidity risk disclosures are presented in Note 34 and Note 35 to the financial statements respectively.

Notes to the Financial Statements (cont'd)

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

2.2 Change in accounting policies (cont'd)

FRS 108 *Operating Segments*

FRS 108 requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary and secondary reporting segments of the Group. The Group determined that the reportable operating segments are the same as the business segments previously identified under FRS 14 *Segment Reporting*. Additional disclosures about each of the segments are shown in Note 37, including revised comparative information.

Improvements to FRSs issued in 2008

In 2008, the Accounting Standards Council issued an omnibus of amendments to FRS. There are separate transitional provisions for each amendment. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group:

- FRS 1 *Presentation of Financial Statements*: Assets and liabilities classified as held for trading in accordance with FRS 39 *Financial Instruments: Recognition and Measurement* are not automatically classified as current in the balance sheet. The Group amended its accounting policy accordingly and analysed whether Management's expectation of the period of realisation of financial assets and liabilities differed from the classification of the instrument. This did not result in any re-classification of financial instruments between current and non-current in the balance sheet.
- FRS 16 *Property, Plant and Equipment:* Replaces the term "net selling price" with "fair value less costs to sell". The Group amended its accounting policy accordingly, which did not result in any change in the financial position.
- FRS 23 *Borrowing Costs:* The definition of borrowing costs is revised to consolidate the two types of items that are considered components of "borrowing costs" into one – the interest expense calculated using the effective interest rate method calculated in accordance with FRS 39. The Group has amended its accounting policy accordingly which did not result in any change in its financial position.

2.3 Standards issued but not yet effective

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

Description	*Effective for annual periods beginning on or after*
Amendments to FRS 39 *Financial Instruments: Recognition and Measurement – Embedded Derivatives*	30 June 2009
Amendments to INT FRS 109 *Reassessment of Embedded Derivatives*	30 June 2009
Amendments to FRS 27 *Consolidated and Separate Financial Statements*	1 July 2009
Amendments to FRS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Item*	1 July 2009
Amendments to FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*	1 July 2009
Amendments to FRS 101 (R) *First-Time Adoption of Financial Reporting Standards*	1 July 2009
Amendments to FRS 103 (R) *Business Combinations*	1 July 2009

Notes to the Financial Statements (cont'd)

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

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

Description	*Effective for annual periods beginning on or after*
Amendments to INT FRS 117 *Distributions of Non-cash Assets to Owners*	1 July 2009
Amendments to INT FRS 118 *Transfer of Assets from Customers*	1 July 2009
Amendments to FRS 101 *First-Time Adoption of Financial Reporting Standards*	1 January 2010
Amendments to FRS 102 *Share-based Payment*	1 January 2010
Amendments to FRS 32 *Financial Instruments: Disclosure and Presentation*	1 February 2010
Amendments to INT FRS 119 *Extinguishing Financial Liabilities with Equity Instruments*	1 July 2010
Amendments to FRS 24 (R) *Related Party Disclosures*	1 January 2011
Amendments to INT FRS 114 FRS 19 - *The Limit on a Defined Benefit Asset, Minimum Funding Requirement and their Interaction*	1 January 2011
Improvements to FRSs issued in 2009:	
- FRS 38 *Intangible Assets*	1 July 2009
- FRS 102 *Share-based Payment*	1 July 2009
- INT FRS 109 *Reassessment of Embedded Derivatives*	1 July 2009
- INT FRS 116 *Hedges of a Net Investment in a Foreign Operation*	1 July 2009
- FRS 1 *Presentation of Financial Statements*	1 January 2010
- FRS 7 *Statement of Cash Flows*	1 January 2010
- FRS 17 *Leases*	1 January 2010
- FRS 36 *Impairment of Assets*	1 January 2010
- FRS 39 *Financial Instruments: Recognition and Measurement*	1 January 2010
- FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*	1 January 2010
- FRS 108 *Operating Segments*	1 January 2010

Except for the revised FRS 103 and the amendments to FRS 27, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the revised FRS 103 and the amendments to FRS 27 are described below.

<u>Revised FRS 103 *Business Combinations* and Amendments to FRS 27 *Consolidated and Separate Financial Statements*</u>

The revised standards are effective for annual periods beginning on or after 1 July 2009. The revised FRS 103 introduces a number of changes in the accounting for business combinations occurring after 1 July 2009. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The Amendments to FRS 27 require that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to FRS 7 *Statement of Cash Flows*, FRS 12 *Income Taxes*, FRS 21 *The Effects of Changes in Foreign Exchange Rates*, FRS 28 *Investments in Associates* and FRS 31 *Interests in Joint Ventures.* The changes from revised FRS 103 and Amendments to FRS 27 will affect future acquisitions or loss of control and transactions with minority interests. The standards may be early applied. However, the Group does not intend to early adopt.

Notes to the Financial Statements (cont'd)

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

2.4 International Financial Reporting Interpretations Committee ("IFRIC") and Recommended Accounting Practice ("RAP")

IFRIC 15 Agreements for the Construction of Real Estate

The International Accounting Standards Board issued IFRIC 15 in July 2008 which becomes effective for financial years beginning on or after 1 January 2009. When adopted, the interpretation is to be applied retrospectively. It clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognised if an agreement between a developer and a buyer is reached before construction of the real estate is completed. Furthermore, the interpretation provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of FRS 11 *Construction Contracts* or FRS 18 *Revenue*.

RAP 11 Pre-Completion Contracts for the Sale of Development Property

RAP 11 is still applicable in Singapore as IFRIC 15 has not been adopted by the Accounting Standards Council. It was issued by the Institute of Certified Public Accountants of Singapore in October 2005. In the RAP, it is mentioned that a property developer's sale and purchase agreement is not a construction contract as defined in FRS 11 and the percentage of completion ("POC") method of recognising revenue, which is allowed under FRS 11 for construction contracts, may not be applicable for property developers. The relevant standard for revenue recognition by property developers is FRS 18, which addresses revenue recognition generally for all types of entities. However, there is no clear conclusion in FRS 18 whether the POC method or the completion of construction ("COC") method is more appropriate for property developers.

The Company uses the POC method for recognising revenues from partly completed residential projects which are held for sale. Had the COC method been adopted, the impact on the financial statements will be as follows:

	2009 $'000	2008 $'000
(Decrease)/increase in revenue recognised for the year	(35,037)	16,711
Decrease in opening retained earnings	(97,802)	(53,961)
Decrease in profit for the year	(43,737)	(42,284)
Decrease in carrying value of development properties		
Balance at 1 January	–	(7,112)
Balance at 31 December	(4,829)	–
Decrease in investment in associates		
Balance at 1 January	(97,802)	(48,092)
Balance at 31 December	(141,538)	(97,802)

Notes to the Financial Statements (cont'd)

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

2.5 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. 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 are eliminated in full.

Acquisitions of subsidiaries are accounted for by applying the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity. Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the balance sheet. Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in the profit or loss on the date of acquisition. When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are not reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

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.

2.6 Transactions with minority interests

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in profit or loss of the Group and within equity in the consolidated balance sheet, separately from parent shareholders' equity. Transactions with minority interests are accounted for using the entity concept method, whereby, transactions with minority interests are accounted for as transactions with owners. On acquisition of minority interests, the difference between the consideration and book value of the share of the net assets acquired is reflected as being a transaction between owners and recognised directly in equity. Gain or loss on disposal to minority interests is recognised directly in equity.

2.7 Foreign currency

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 balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date 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.

Notes to the Financial Statements (cont'd)

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

2.7 Foreign currency (cont'd)

The assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the balance sheet date and their statement of comprehensive income are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income relating to that particular foreign operation is recognised in the profit or loss.

2.8 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. 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.

Subsequent to recognition, plant and equipment and furniture and fixtures are measured at cost less accumulated depreciation and accumulated impairment losses. 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 the income statement as incurred.

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

Building and construction equipment	-	2 to 5 years
Motor vehicles	-	5 years
Furniture, fixtures and fittings	-	5 years
Office equipment and computer	-	3 to 5 years
Container office	-	5 years

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 applicable.

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 the profit or loss in the year the asset is derecognised.

2.9 Investment properties

Investment properties are initially recorded at cost, including transaction costs. Subsequent to recognition, investment properties are measured at fair value which reflects market conditions at the balance sheet date. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss in the year in which they arise.

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

Notes to the Financial Statements (cont'd)

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

2.9 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 2.8 up to the date of change in use.

2.10 Intangible assets

Other 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 measured at cost less any accumulated amortisation and accumulated impairment losses.

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 embodies in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expenses on intangibles assets with finite lives is recognised in the profit or loss in the expenses category consistent with the function of the intangible asset.

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

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

2.11 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 such indication exists, or when annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

Notes to the Financial Statements (cont'd)

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

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

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets. 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 risk specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculation are corroborated by valuation multiplies, quoted share prices for publicly traded subsidiaries or other available fair value indicates. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount.

Impairment losses are recognised in the 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.

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. 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 the profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.12 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.

2.13 Associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. The 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 associate is measured in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment. 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 deducted from the carrying amount of the investment and is recognised as income as part of the Group's share of results of the associate in the period in which the investment is acquired.

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.

Notes to the Financial Statements (cont'd)

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

2.13 Associates (cont'd)

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 each balance sheet date 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 the profit or loss.

The financial statements of the associate 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.

2.14 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 controls. The Group recognises its interest in joint venture using the equity method.

The joint venture is equity accounted for from the date the Group obtains joint control until the date the Group ceases to have joint control over the joint venture.

Adjustments are made in the Group's consolidated financial statements to eliminate the Group's share of intragroup balances, income and expenses and unrealised gains and losses on 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.

2.15 Financial assets

Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

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.

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 has been recognised directly in other comprehensive income is recognised in the profit or loss.

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.

Notes to the Financial Statements (cont'd)

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

2.15 Financial assets (cont'd)

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

Financial assets held for trading are classified as financial assets at fair value through profit or loss. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

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 the profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

(b) Loans and receivables

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. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

(c) Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are not classified in any of the other categories. After initial recognition, available-for-sale financial assets are 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.

2.16 Impairment of financial assets

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

(a) Assets carried at amortised cost

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. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

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

Notes to the Financial Statements (cont'd)

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

2.16 Impairment of financial assets (cont'd)

(a) Assets carried at amortised cost (cont'd)

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

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

(b) 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

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss. Reversals of impairment losses on debt instruments are recognised in profit or loss if the increase in fair value of the debt instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

2.17 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.

2.18 Construction 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 balance sheet date, when the outcome of a construction contract can be estimated reliably. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised 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.

Notes to the Financial Statements (cont'd)

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

2.18 Construction contracts (cont'd)

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

The stage of completion is determined by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

2.19 Development properties

Development properties are properties held and developed for sale in the ordinary course of business. Development properties are measured at lower of cost and net realisable value. The costs are assigned by using specific identification. Net realisable value represents the estimated selling price less costs to be incurred in selling the properties.

2.20 Provisions

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

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

2.21 Financial liabilities

Financial liabilities within the scope of FRS 39 are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs.

Subsequent to initial recognition, derivatives are measured at fair value. Other financial liabilities (except guarantee) are measured at amortised cost using the effective interest method.

For financial liabilities other than derivatives, gains and losses are recognised in the profit or loss when the liabilities are derecognised, and through the amortisation process. Any gains or losses arising from changes in fair value of derivatives are recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

A financial liability is derecognised when the obligation under the liability is extinguished. 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 the profit or loss.

Notes to the Financial Statements (cont'd)

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

2.22 Financial guarantee

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

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.

2.23 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.

2.24 Employee benefits

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.

2.25 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. 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.

Notes to the Financial Statements (cont'd)

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

2.25 Leases (cont'd)

(a) As lessee (cont'd)

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 2.26(e).

2.26 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. Revenue is measured at the fair value of consideration received or receivable.

(a) Construction revenue

Accounting policy for recognising construction contract revenue is stated in Note 2.18.

(b) Sale of development properties

Revenue from property development is recognised upon signing of Sale 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 progress of construction work. The progress of construction work is determined based on the stage of completion certified by an architect or quantity surveyor. All losses are provided for as they become known.

(c) Interest income

Interest income is recognised using the effective interest method.

(d) Dividend income

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

(e) Rental income

Rental income arising 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.

Notes to the Financial Statements (cont'd)

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

2.27 Income taxes

(a) Current tax

Current tax assets and liabilities 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 substantially enacted by the balance sheet date.

Current 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.

(b) Deferred tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date 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 income 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 income 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 income 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 income 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 each balance sheet date 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 each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

Notes to the Financial Statements (cont'd)

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

2.27 Income taxes (cont'd)

(b) Deferred tax (cont'd)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to 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 balance sheet date.

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

(c) Sales tax

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

- Where the sales tax incurred in 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.

2.28 Segment reporting

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

2.29 Share capital and share issue 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.

2.30 Treasury shares

When shares recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares.

Notes to the Financial Statements (cont'd)

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

2.31 Contingencies

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

Contingent liabilities and assets are not recognised on the balance sheet of the Group.

3. Significant accounting judgements and estimates

The preparation of the Group's 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 reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

3.1 Judgements made in applying accounting policies

In the process of applying the Group accounting policies, management has made the following judgements, apart from those involving estimations which has the most significant effect on the amounts recognised in the financial statements:

(a) Impairment of available-for-sale investments

The Group records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost. For the financial year ended 31 December 2009, 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) Operating lease commitments – as lessor

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

Notes to the Financial Statements (cont'd)

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

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

(d) Warranty

A warranty provision is made for completed construction projects that are under warranty at the balance sheet date based on best estimate from past experience.

(e) Liquidated damages

Provision for liquidated damages is made in respect of anticipated claims from project owners for construction contracts of which deadlines are overdue or not expected to be completed on time in accordance with contractual obligations.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Useful lives of plant and equipment

The cost of plant and equipment is depreciated on a straight-line basis over the plant and equipment's estimated economic useful lives. Management estimates the useful lives of these plant and equipment to be within 2 to 5 years. These are common life expectancies applied in the construction industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amount of the Group's plant and equipment at the balance sheet date is disclosed in Note 11 to the financial statements. A 5% difference in the expected useful lives of these assets from management's estimates will not have any material impact to the Group's profit for the year.

(b) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill and other indefinite life intangibles are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

(c) Impairment of loans and receivables

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

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivable at the balance sheet date is disclosed in Note 16 to the financial statements.

Notes to the Financial Statements (cont'd)

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

3.2 Key sources of estimation uncertainty (cont'd)

(d) Construction contracts

The Group recognises contract revenue by reference to the stage of completion of the contract activity at the balance sheet date, when the outcome of a construction contract can be estimated reliably. The stage of completion is measured by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Significant assumptions are required to estimate the total contract costs and the recoverable variation works that will affect the stage of completion. The estimates are made based on past experience and knowledge of the project engineers. The carrying amounts of assets and liabilities arising from construction contracts at the balance sheet date are disclosed in Note 18 to the financial statements.

4. Revenue

	Group	
	2009 $'000	**2008 $'000**
Construction revenue	331,318	301,081
Sale and management of development properties	43,527	52,028
Rental income from investment properties (Note 12)	1,585	1,477
Others	5	5
	376,435	354,591

5. Interest income

	Group	
	2009 $'000	**2008 $'000**
Interest income from loan and receivables	5,235	5,562

6. Other income

	Group	
	2009 $'000	**2008 $'000**
Net gain from fair value adjustment of investment properties (Note 12)	400	–
Net gain on disposal of property, plant and equipment	86	456
Net fair value gain on investment securities	194	–
Deposits forfeited from buyers	426	–
Management fee received from an associate	61	66
Grant income from jobs credit scheme	693	–
Reversal of impairment loss on trade receivables (Note 16)	2,477	–
Others	388	437
	4,725	959

Notes to the Financial Statements (cont'd)

6. Other income (cont'd)

During the financial year ended 31 December 2009, the Singapore Finance Minister announced the introduction of a Jobs Credit Scheme (the "Scheme"). Under this Scheme, the Group received a 12% cash grant on the first $2,500 of each month's wages for each employee on their Central Provident Fund payroll. The Scheme is for one year, and the Group received its grant income of $693,000 (2008: Nil) in four receipts in March, June, September and December 2009.

7. Finance costs

	Group	
	2009 **$'000**	**2008** **$'000**
Interest expense on bank loans and borrowings	5,886	6,767
Less: Interest expense capitalised in development property (Note 20)	(2,118)	(3,175)
	3,768	3,592

8. Profit before tax

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

	Group	
	2009 **$'000**	**2008** **$'000**
Depreciation of property, plant and equipment	992	883
Amortisation of intangible assets	12	22
Provision for foreseeable losses – Construction projects	706	11,904
Non-audit fee paid to other auditors	22	8
Net foreign exchange loss	928	999
Employee benefits expense (Note 30)	38,915	25,528
Operating lease expense (Note 32(b))	1,018	547
Net fair value loss on investment securities	–	245
Net loss from fair value adjustments of investment properties (Note 12)	–	900
Net loss on disposal of investment securities	–	44
Write down of completed properties held for sale as an expense in cost of sales (Note 19)	–	350
Impairment loss on trade receivables (Note 16)	–	2,477
Fair value loss on interest rate swap (Note 26)	20	–

Notes to the Financial Statements (cont'd)

9. Income tax expense

Major components of income tax expenses

The major components of income tax expense for the years ended 31 December 2009 and 2008 are:

	Group	
	2009 $'000	2008 $'000
Statement of comprehensive income:		
Current income tax		
- current income taxation	2,761	2,935
- underprovision in respect of prior years	243	1,967
	3,004	4,902
Deferred income tax		
- obligation and reversal of temporary differences	8	(257)
Income tax expense recognised in profit or loss	3,012	4,645

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 2009 and 2008 are as follows:

	Group	
	2009 $'000	2008 $'000
Accounting profit before tax	78,337	48,504
Tax at the domestic rates applicable to profits in the countries where the Group operates	18,900	11,252
Adjustments:		
Non-deductible expenses	3,039	761
Income not subject to taxation	(388)	(14)
Tax effect of unrecognised deferred tax assets	1,475	2,379
Effect of partial tax exemption and tax relief	(256)	(278)
Underprovision in respect of prior years	243	1,967
Share of results of associates	(19,990)	(11,399)
Others	(11)	(23)
Income tax expense recognised in profit or loss	3,012	4,645

The corporate income tax rate applicable to Singapore companies of the Group was reduced to 17% for the year of assessment 2010 onwards from 18% for year of assessment 2009.

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

Notes to the Financial Statements (cont'd)

10. Earnings per share

Basic earnings per share amounts are calculated by dividing profit for the year, net of tax, attributable to ordinary equity holders 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	
	2009	**2008**
	'000	**'000**
Profit net of tax attributable to ordinary equity holders of the Company used in the computation of basic earnings per share	$75,271	$43,899
Weighted average number of ordinary shares for basic earnings per share computation	659,515	659,515

There is no dilution of earnings per share for the financial year as there are no outstanding dilutive potential ordinary shares of the Company.

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

11. Property, plant and equipment

Group	Leasehold building $'000	Container office, building and construction equipment $'000	Motor vehicles $'000	Computer and office equipment $'000	Furniture, fixture and fittings $'000	Total $'000
Cost						
At 1 January 2008	268	9,704	1,974	760	1,081	13,787
Additions	–	220	891	348	232	1,691
Disposals	–	(370)	(199)	(19)	–	(588)
At 31 December 2008 and 1 January 2009	268	9,554	2,666	1,089	1,313	14,890
Additions	–	136	482	104	35	757
Disposals	–	(4,286)	(463)	(178)	–	(4,927)
At 31 December 2009	268	5,404	2,685	1,015	1,348	10,720

Notes to the Financial Statements (cont'd)

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

Group	Leasehold building $'000	Container office, building and construction equipment $'000	Motor vehicles $'000	Computer and office equipment $'000	Furniture, fixture and fittings $'000	Total $'000
Accumulated depreciation						
At 1 January 2008	268	9,346	964	441	467	11,486
Depreciation charge for the year	–	109	397	217	160	883
Disposals	–	(368)	(103)	(18)	–	(489)
At 31 December 2008 and 1 January 2009	268	9,087	1,258	640	627	11,880
Depreciation charge for the year	–	148	422	236	186	992
Disposals	–	(4,286)	(396)	(175)	–	(4,857)
At 31 December 2009	268	4,949	1,284	701	813	8,015
Net carrying amounts						
At 31 December 2008	–	467	1,408	449	686	3,010
At 31 December 2009	–	455	1,401	314	535	2,705

Notes to the Financial Statements (cont'd)

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 2008	860	117	440	1,417
Additions	–	6	20	26
Disposals	–	(1)	–	(1)
At 31 December 2008 and 1 January 2009	860	122	460	1,442
Additions	273	–	1	274
Disposals	(307)	–	–	(307)
At 31 December 2009	826	122	461	1,409
Accumulated depreciation				
At 1 January 2008	384	86	422	892
Depreciation charge for the year	173	18	8	199
Disposals	–	(1)	–	(1)
At 31 December 2008 and 1 January 2009	557	103	430	1,090
Depreciation charge for the year	141	11	9	161
Disposals	(307)	–	–	(307)
At 31 December 2009	391	114	439	944
Net carrying amount				
At 31 December 2008	303	19	30	352
At 31 December 2009	435	8	22	465

12. Investment properties

	Group	
	2009 $'000	2008 $'000
At 1 January	29,806	30,706
Net gains/(loss) from fair value adjustments recognised in income statement	400	(900)
At 31 December	30,206	29,806

Notes to the Financial Statements (cont'd)

12. Investment properties (cont'd)

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

Description	Location	Tenure	Existing Use
2 adjoining units of 2-storey pre-war shophouses with an attic	6, 6A, 6B Perak Road, Singapore	99 years from 12 October 1995 (85 years remaining)	Shops and offices
2 adjoining units of 3-storey shophouses	86, 86A, 86B Tanjong Pagar Road, Singapore	99 years from 27 September 1988 (78 years remaining)	Shops and offices
A part 2/part 4-storey commercial building comprising an eating house and lock-up shop on the 1st storey and offices on the upper storey	161 Geylang Road, Singapore	99 years from 4 May 1993 (83 years remaining)	Shops and offices
Retained units in a 6-storey light industrial building with a basement carpark	69 Ubi Crescent, Singapore	60 years from 5 July 1997 (48 years remaining)	Light industrial building
3 adjoining units of 2-1/2 storey shophouses with 4-storey rear extension comprising a restaurant on the 1st storey and a 27-room boarding house on the upper storey	115 Geylang Road, Singapore	Freehold	Boarding hotel

Certain investment properties amounting to $21,406,000 (2008: $29,806,000) are mortgaged to secure banking facilities (Note 22).

Investment properties are stated at fair value, which has been determined based on valuations at the balance sheet date. Valuations are performed by accredited independent valuers with recent experience in the location and category of the properties being valued. The valuations are arrived at by direct comparison with transactions of comparable properties within the vicinity and elsewhere.

As disclosed in Note 4, the property rental income earned by the Group for the year ended 31 December 2009 from its investment properties, almost all of which are leased out under operating leases, amounted to $1,585,000 (2008: $1,477,000). Direct operating expenses (including repairs and maintenance, property tax, etc.) arising on the rental-earning investment properties amounted to $417,000 (2008: $647,000).

Notes to the Financial Statements (cont'd)

13. Intangible assets

Group	Club membership $'000
Cost	
At 1 January 2008	267
Disposal	(138)
At 31 December 2008, 1 January 2009 and 31 December 2009	129
Accumulated amortisation	
At 1 January 2008	31
Amortisation for the year	22
Disposal	(28)
At 31 December 2008 and 1 January 2009	25
Amortisation for the year	12
At 31 December 2009	37
Net carrying amount	
At 31 December 2008	104
At 31 December 2009	92

Company	
Cost and net carrying amount	
At 1 January and 31 December 2008 and 2009	3

The amortisation of club membership is included in the "Administrative expenses" line item in the income statement.

14. Investment in subsidiaries

	Company	
	2009 $'000	2008 $'000
Shares, at cost	33,602	29,602
Impairment loss	(300)	–
	33,302	29,602

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.

Notes to the Financial Statements (cont'd)

15. Investment in associates

	Group 2009 $'000	Group 2008 $'000	Company 2009 $'000	Company 2008 $'000
Shares, at cost	7,551	7,551	650	650
Share of post-acquisition reserves	162,966	98,557	–	–
	170,517	106,108	650	650

Details regarding associates are set out in Note 1.

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

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

	Group 2009 $'000	Group 2008 $'000
Assets and liabilities:		
Total assets	1,196,388	1,103,018
Total liabilities	793,871	843,420
Results:		
Revenue	623,656	400,418
Profit for the year	207,777	108,478

16. Trade and other receivables

	Group 2009 $'000	Group 2008 $'000	Company 2009 $'000	Company 2008 $'000
Trade and other receivables (current):				
Trade receivables	79,113	66,570	–	–
Refundable deposits	1,090	385	10	9
Recoverables	5,615	26,816	–	–
Deposit for investment in a joint venture company	2,198	2,586	–	–
Amount due from minority shareholder of a subsidiary company	1	7	–	–
Amounts due from subsidiaries, trade	–	–	7,469	5,838
Amount due from a subsidiary, non-trade	–	–	3,185	–
Amounts due from associates, non-trade	63,921	519	–	–
	151,938	96,883	10,664	5,847

Notes to the Financial Statements (cont'd)

16. Trade and other receivables (cont'd)

	Group		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Other receivables (non-current):				
Amounts due from subsidiaries, non-trade	–	–	74,816	52,869
Amounts due from associates, non-trade	34,758	114,941	–	–
	34,758	114,941	74,816	52,869
Total trade and other receivables (current and non-current)	186,696	211,824	85,480	58,716
Add:				
- Cash and cash equivalent (Note 21)	76,104	47,891	3,171	801
Total loans and receivables	262,800	259,715	88,651	59,517

Trade receivables and amount due from subsidiaries (trade)

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

Recoverables

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

Amounts due from subsidiaries (non-trade)

Amounts due from subsidiaries (non-trade) are unsecured, non-interest bearing and are not expected to be repaid within the next 12 months.

Amounts due from associates (non-trade)

Included in amounts due from associates are loans amounting to $81,592,000 (2008: $97,140,000) which bear interest between 6% to 7% p.a. (2008: 3.5% to 7% p.a.) and 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 $63,921,000, the remaining amounts are not expected to be repaid within the next 12 months.

Notes to the Financial Statements (cont'd)

16. Trade and other receivables (cont'd)

Receivables that are impaired

The Group's trade receivables that are impaired at the balance sheet date and the movement of the allowance accounts used to record the impairment are as follows:

	Group	
	2009 $'000	2008 $'000
Trade receivables – nominal amounts	–	5,390
Less: Allowance for impairment	–	(2,477)
	–	2,913
Movement in allowance accounts:		
At 1 January	2,477	–
(Write-back)/charge for the year	(2,477)	2,477
At 31 December	–	2,477

17. Investment securities

	Group		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Available-for-sale financial assets				
Quoted shares, at fair value	1,964	1,036	1,964	1,036
Held for trading investments				
Quoted shares, at fair value	373	179	155	84
	2,337	1,215	2,119	1,120

Notes to the Financial Statements (cont'd)

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

	Group 2009 $'000	Group 2008 $'000
Aggregate amount of costs incurred and recognised profits (less recognised losses) to date	673,980	615,249
Less: Progress billings	(749,680)	(632,051)
	(75,700)	(16,802)
Presented as:		
Gross amount due from customers for contract work	1,292	8,867
Gross amount due to customers for contract work	(76,992)	(25,669)
	(75,700)	(16,802)
Retention sums on construction contract included in trade receivables	21,003	14,775

19. Completed properties held for sale

	Group 2009 $'000	Group 2008 $'000
Freehold properties, at cost	3,844	7,252
Less: Write-down of properties held for sale	(350)	(350)
	3,494	6,902
Movement in write-down of properties held for sale:		
At 1 January	350	–
Write-down during the year (Note 8)	–	350
At 31 December	350	350

Notes to the Financial Statements (cont'd)

20. Development properties

	Group 2009 $'000	Group 2008 $'000
Leasehold land, at cost	108,499	145,100
Development expenditures	44,054	48,372
	152,553	193,472
Add: Recognised profits	4,829	31,644
Less: Progress billings	(38,738)	(91,992)
	118,644	133,124
Borrowing costs capitalised during the year	2,118	3,175

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

Description	Location	Percentage of completion	Date/ expected date of completion	Site area (sq m)	Gross floor area (sq m)	Interest held by the Group
Leasehold residential apartments	Elias Road Singapore	24.7%	Dec 2012	14,126	44,953	100%

Borrowing costs capitalised during the year were from loans borrowed specifically for the development property. Interest rate for borrowing costs capitalised during the year range from 1.29% to 2.55% (2008: 2.02% to 3.97%) per annum.

The development property of $118,644,000 (2008: $121,410,000) is subject to legal mortgages for the purpose of securing the bank loans (Note 22).

21. Cash and cash equivalents

	Group 2009 $'000	Group 2008 $'000	Company 2009 $'000	Company 2008 $'000
Cash at banks and in hand	56,928	25,518	3,159	794
Short-term deposits	10,012	6,516	12	7
Project account – cash at bank	9,164	15,857	–	–
	76,104	47,891	3,171	801

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 earn interests at the respective short term deposit rates.

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 2009, the project accounts have a total balance of $9,164,000 (2008: $15,857,000).

Notes to the Financial Statements (cont'd)

22. Loans and borrowings

	Maturity	Group 2009 $'000	Group 2008 $'000
Current:			
Obligations under finance leases	2009	–	17
Bank loans:			
- SGD revolving short term loan at cost of fund + 2% p.a.	2010	12,500	16,500
- SGD short term loan at cost of fund + 1.25% p.a.	2009	–	12,000
- SGD revolving short term loan at 3.4%	2010	10,000	10,000
- SGD revolving short term loan at 2.52%, unsecured	2010	2,000	2,000
- Multicurrency Medium Term note at 4.275% p.a.	2009	–	60,000
		24,500	100,517
Non-current:			
Bank loans:			
- SGD land and development charge loan at 1% p.a. above Swap Offer Rate	2012	85,600	85,600
- SGD construction loan at 1% p.a. above Swap Offer Rate	2012	3,448	–
		89,048	85,600
Total loans and borrowings		113,548	186,117

SGD revolving short term loan at cost of fund + 2% p.a.
SGD revolving short term loan at 3.4% p.a.

These revolving short term loans are renewal for periods between 1 to 12 months and are secured over a charge over the investment properties of the Group (Note 12).

SGD land and development charge loan at 1% p.a. above Swap Offer Rate
SGD construction loan at 1% p.a. above Swap Offer Rate

These bank loans relate to the land parcel purchased for development property at Pasir Ris and are repayable in full on the date falling 48 months after the drawdown date or 3 months after obtaining Temporary Occupation Permit, whichever is the earlier. These bank loans are secured by:

(a) a legal mortgage on the development property (Note 20);
(b) subordination of shareholder's loan from CEL Development Pte Ltd to its subsidiary company, CES Land Pte Ltd;
(c) assignment of proceeds from the sale of the property;
(d) corporate guarantee from Chip Eng Seng Corporation Ltd.; and
(e) assignment of all rights, titles, interests and benefits under contracts in respect of the development property.

Notes to the Financial Statements (cont'd)

23. Provisions

	Group	
	2009	2008
	$'000	$'000
At 1 January	850	993
Arose during the financial year	130	122
Unused amounts reversed	(347)	(265)
At 31 December	633	850

The above provision relates to warranty provision.

24. Trade and other payables

	Group		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Trade payables	120,672	134,183	345	339
Amount due to a subsidiary, non-trade	–	–	7,811	–
Amount due to a subsidiary, trade	–	–	660	–
Total trade and other payables	120,672	134,183	8,816	339
Add:				
- Other liabilities (Note 25)	16,803	9,264	8,202	4,552
- Loans and borrowings (Note 22)	113,548	186,117	–	–
Total financial liabilities carried at amortised cost	251,023	329,564	17,018	4,891

Trade payables and amount due to a subsidiary (trade)

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

Amount due to a subsidiary (non-trade)

Amount due to a subsidiary (non-trade) is unsecured, non-interest bearing and is repayable within the next 12 months.

25. Other liabilities

	Group		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Accrued operating expenses	16,467	8,926	8,202	4,552
Rental deposits	336	338	–	–
	16,803	9,264	8,202	4,552

Notes to the Financial Statements (cont'd)

26. Derivatives

Group 2009	Notional amount $'000	Assets $'000	Liabilities $'000
Interest rate swap	6,700	–	20
2008			
Interest rate swap	–	–	–

The interest rate swap is used to hedge cash flow interest rate risk arising from a floating rate SGD bank loan which was fully repaid before year end.

27. Deferred tax

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

	Group		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Deferred tax liabilities				
Difference in depreciation	8	13	5	10
Deferred tax liabilities on development properties	808	–	–	–
Revaluations to fair value of investment properties	315	306	–	–
	1,131	319	5	10

Tax consequence of proposed dividends

There are no income tax consequences (2008: 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			
	2009		2008	
	No. of shares '000	$'000	No. of shares '000	$'000
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.

Notes to the Financial Statements (cont'd)

28. Share capital and treasury shares (cont'd)

(b) Treasury shares

	Group and Company			
	2009		2008	
	No. of shares '000	$'000	No. of shares '000	$'000
At the beginning and end of the year	(8,000)	(4,826)	(8,000)	(4,826)

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

The Company acquired 8,000,000 shares in the Company through purchases on the Singapore Exchange in the financial year ended 31 December 2007. The total amount paid to acquire the shares was $4,826,000 and this was presented as a component within shareholders' equity.

The Company did not purchase any treasury shares since the financial year ended 31 December 2007.

29. Other reserves

	Group		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Fair value adjustment reserves	(2,887)	(3,815)	(2,887)	(3,815)
Foreign currency translation reserve	403	(510)	–	–
Capital reserve	674	674	–	–
	(1,810)	(3,651)	(2,887)	(3,815)

(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		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
At 1 January	(3,815)	2,543	(3,815)	2,543
Available-for-sale financial assets:				
- net gain/(loss) on fair value changes during the year	928	(6,358)	928	(6,358)
At 31 December	(2,887)	(3,815)	(2,887)	(3,815)

Notes to the Financial Statements (cont'd)

29. Other reserves (cont'd)

(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	
	2009	**2008**
	$'000	**$'000**
At 1 January	(510)	474
Net effect of exchange difference arising from translation of financial statements of foreign operations	913	(984)
At 31 December	403	(510)

(c) Capital reserve

	Group	
	2009	**2008**
	$'000	**$'000**
At beginning and end of the year	674	674

30. Employee benefits

	Group	
	2009	**2008**
	$'000	**$'000**
Employee benefits expense (including directors):		
Salaries and bonuses	36,137	23,290
Central Provident Fund contributions	2,408	1,636
Other short term benefits	370	602
	38,915	25,528

Notes to the Financial Statements (cont'd)

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	
	2009	**2008**
	$'000	**$'000**
Interest income from associates	(5,187)	(5,398)
Management and other fees from associates	(785)	(854)
Contract service provided to associates	(104,378)	(91,302)
Sale of development properties to directors of the Company and subsidiary companies	(2,336)	–

(b) Compensation of key management personnel

	Group	
	2009	**2008**
	$'000	**$'000**
Short-term employee benefits	10,557	7,270
Central Provident Fund contributions	52	86
Other short-term benefits	152	184
	10,761	7,540
Comprise amounts paid to		
- Directors of the Company	8,892	5,682
- Other key management personnel	1,869	1,858
	10,761	7,540

32. Commitments

(a) Capital commitments

Capital expenditure contracted for as at the balance sheet date but not recognised in the financial statements are as follows:

	Group	
	2009	**2008**
	$'000	**$'000**
Contribution to a project to be injected as capital contribution for a joint venture company	8,640	10,342

Notes to the Financial Statements (cont'd)

32. Commitments (cont'd)

(b) Operating lease commitments – As lessee

The Group has entered into industrial property lease on a pre-cast yard. Operating lease payments recognised in the consolidated income statement during the year amounted to $1,018,000 (2008: $547,000).

Future minimum rental payable under non-cancellable operating leases at the balance sheet are as follows:

	Group	
	2009	**2008**
	$'000	**$'000**
Not later than one year	780	813
Later than one year but not later than five years	537	1,064
	1,317	1,877

(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 balance sheet date are as follows:

	Group	
	2009	**2008**
	$'000	**$'000**
Not later than one year	1,375	1,458
Later than one year but not later than five years	1,206	1,302
	2,581	2,760

33. Contingent liabilities

The Group has provided the following guarantees at the balance sheet date:

(a) It has guaranteed the banking facilities of $313,725,000 (2008: $508,222,000) granted to its subsidiaries. At 31 December 2009, the amount utilised was $169,472,000 (2008: $264,590,000);

(b) It has guaranteed performance bonds of $25,764,000 (2008: $25,764,000) provided by insurance company;

(c) It has guaranteed part of the banking facilities of an associate to a maximum amount of $43,240,500 (2008: $43,240,500); and

(d) For banking facilities of $496,839,000 (2008: $496,839,000) and $172,962,000 (2008: $172,962,000) granted to three associates, the Company has guarantee to meet 50% and 25% respectively of the interest expense. The Company has also guarantee to complete construction of the development projects and to meet any cost overrun on the development projects.

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

Notes to the Financial Statements (cont'd)

34. Fair value of financial instruments

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

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

	2009			
	Quoted prices in active markets for identical instruments (Level 1) $'000	Significant other observable inputs (Level 2) $'000	Significant unobservable inputs (Level 3) $'000	Total $'000
Financial assets:				
Held for trading investments (Note 17)	373	–	–	373
Available-for-sale financial assets (Note 17)				
- Equity instruments (quoted)	1,964	–	–	1,964
At 31 December	2,337	–	–	2,337
Financial liabilities:				
Derivatives (Note 26)				
- Interest rate swap	–	20	–	20
At 31 December	–	20	–	20

Fair value hierarchy

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

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

Determination of fair value

Quoted equity instruments (Note 17): Fair value is determined directly by reference to their published market bid price at the balance sheet date.

Derivatives (Note 26): Interest rate swap contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties and forward rates and interest rate curves.

Notes to the Financial Statements (cont'd)

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

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

Movements in level 3 financial instruments measured at fair value

There is no movement of financial instruments from Level 1 and Level 2 to Level 3 during the financial year.

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

Current trade and other receivables and payables, Non-current other receivables (Notes 16 and 24), Accrued operating expenses (Note 25), and Non-current loans and borrowings at floating rate (Note 22)

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

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

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

35. Financial risk management objectives and policies

The Group and the Company 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 derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost efficient. The Group and the Company do not apply hedge accounting.

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.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including investment securities, cash and cash equivalents and derivatives), 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.

Notes to the Financial Statements (cont'd)

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

(a) Credit risk (cont'd)

Exposure to credit risk

At the balance sheet date, 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, including derivatives with positive fair values; 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.

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 at the balance sheet date is as follows:

	Group			
	2009		2008	
	$'000	% of total	$'000	% of total
By country:				
Singapore	79,078	100	66,560	100
Other countries	35	–	10	–
	79,113	100	66,570	100
By industry sectors:				
Construction	76,904	97	62,378	94
Property development	1,737	2	3,866	6
Property investment	472	1	326	–
Corporate and others	–	–	–	–
	79,113	100	66,570	100

At the balance sheet date, approximately 74% (2008: 59%) 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 creditworthy debtors with good payment record with the Group. Cash and cash equivalents 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.

Notes to the Financial Statements (cont'd)

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

(b) Liquidity risk

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

At the balance sheet date, approximately 22% (2008: 54%) of the Group's loans and borrowings (Note 22) will mature in less than one year based on the carrying amount reflected in the financial statements.

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 balance sheet date based on contractual undiscounted repayment obligations.

	Group			
	One year or less $'000	One to five years $'000	Over five years $'000	Total $'000
2009				
Financial assets:				
Investment securities	–	2,337	–	2,337
Trade and other receivables	151,938	34,758	–	186,696
Cash and cash equivalents	76,104	–	–	76,104
Total undiscounted financial assets	228,042	37,095	–	265,137
Financial liabilities:				
Trade and other payables	120,672	–	–	120,672
Other liabilities	16,803	–	–	16,803
Loans and borrowings	25,968	90,455	–	116,423
Derivatives	20	–	–	20
Total undiscounted financial liabilities	163,463	90,455	–	253,918
Total net undiscounted financial assets/(liabilities)	64,579	(53,360)	–	11,219

Notes to the Financial Statements (cont'd)

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

(b) Liquidity risk (cont'd)

	Group			
	One year or less $'000	One to five years $'000	Over five years $'000	Total $'000
2008				
Financial assets:				
Investment securities	–	1,215	–	1,215
Trade and other receivables	96,883	114,941	–	211,824
Cash and cash equivalents	47,891	–	–	47,891
Total undiscounted financial assets	144,774	116,156	–	260,930
Financial liabilities:				
Trade and other payables	134,183	–	–	134,183
Other liabilities	9,264	–	–	9,264
Loans and borrowings	104,921	88,475	–	193,396
Total undiscounted financial liabilities	248,368	88,475	–	336,843
Total net undiscounted financial assets/(liabilities)	(103,594)	27,681	–	(75,913)

	Company			
	One year or less $'000	One to five years $'000	Over five years $'000	Total $'000
2009				
Financial assets:				
Investment securities	–	2,119	–	2,119
Trade and other receivables	10,664	74,816	–	85,480
Cash and cash equivalents	3,171	–	–	3,171
Total undiscounted financial assets	13,835	76,935	–	90,770
Financial liabilities:				
Trade and other payables	8,816	–	–	8,816
Other liabilities	8,202	–	–	8,202
Total undiscounted financial liabilities	17,018	–	–	17,018
Total net undiscounted financial assets/(liabilities)	(3,183)	76,935	–	73,752

Notes to the Financial Statements (cont'd)

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

(b) Liquidity risk (cont'd)

	Company			
	One year or less $'000	One to five years $'000	Over five years $'000	Total $'000
2008				
Financial assets:				
Investment securities	–	1,120	–	1,120
Trade and other receivables	5,847	52,869	–	58,716
Cash and cash equivalents	801	–	–	801
Total undiscounted financial assets	6,648	53,989	–	60,637
Financial liabilities:				
Trade and other payables	339	–	–	339
Other liabilities	4,552	–	–	4,552
Total undiscounted financial liabilities	4,891	–	–	4,891
Total net undiscounted financial assets	1,757	53,989	–	55,746

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

	Company			
2009	One year or less $'000	One to five years $'000	Over five years $'000	Total $'000
Financial guarantees	55,650	182,827	–	238,477
2008				
Financial guarantees	125,717	207,878	–	333,595

(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 associates. The interest charge for loan and borrowings are based on floating rate (Note 22). The floating rate loans are contractually repriced at intervals of 1 month to 3 months. The interest rate charge for loans to associates is at fixed rate (Note 16).

Notes to the Financial Statements (cont'd)

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

(c) Interest rate risk (cont'd)

Sensitivity analysis for interest rate risk

At the balance sheet date, if SGD interest rates had been 75 (2008: 75) basis points lower/higher with all other variables held constant, the Group's profit net of tax would have been $707,000 (2008: $776,000) 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 year.

(d) Foreign currency risk

The functional currencies of the Group entities are primarily SGD, US dollar (USD) and Australian dollar (A$) and Vietnamese Dong (VND). 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 cash equivalents denominated in foreign currencies for working capital purposes. At the balance sheet date, such foreign currency balances (mainly in A$) amount to $649,000 (2008: $480,000) for the Group.

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

Sensitivity analysis for foreign currency risk

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

	Group Profit net of tax	
	2009 $'000	2008 $'000
USD		
- strengthened 3% (2008: 3%)	+419	+414
- weakened 3% (2008: 3%)	-419	-414
A$		
- strengthened 3% (2008: 3%)	+89	+108
- weakened 3% (2008: 3%)	-89	-108
VND		
- strengthened 3% (2008: 3%)	+61	-1
- weakened 3% (2008: 3%)	-61	+1

Notes to the Financial Statements (cont'd)

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

(e) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates). The Group is exposed to equity price risk arising from its investment in quoted equity instruments. These instruments 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 balance sheet date, 84% (2008: 85%) of the Group's equity portfolio consists of quoted investment in Vietnam.

Sensitivity analysis for equity price risk

At the balance sheet date, if the STI and the HoChiMinh Stock Exchange had been 2% (2008: 2%) higher/lower with all other variables held constant, the Group's profit net of tax would have been $6,000 (2008: $3,000) 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 $39,000 (2008: $20,000) 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 2009 and 31 December 2008.

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

	Group	
	2009 $'000	2008 $'000
Loans and borrowings (Note 22)	113,548	186,117
Trade and other payables (Note 24)	120,672	134,183
Other liabilities (Note 25)	16,803	9,264
Less: Cash and cash equivalents (Note 21)	(76,104)	(47,891)
Net debt	174,919	281,673

Notes to the Financial Statements (cont'd)

36. Capital management (cont'd)

	Group	
	2009 $'000	2008 $'000
Equity attributable to the equity holders of the Company	257,453	185,287
Add/(less):		
- Fair value adjustments reserve (Note 29(a))	2,887	3,815
Total capital	260,340	189,102
Capital and net debt	435,259	470,775
Gearing ratio	40%	60%

37. Segment information

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

1. The construction segment is in the business of general building contractors.

2. The property development segment is in the business of developing properties and management of development projects.

3. The property investment segment is in the business of leasing out of investment properties and the management of properties.

4. The corporate segment is involved in Group-level corporate services, treasury functions and investments in marketable securities.

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

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.

Notes to the Financial Statements (cont'd)

37. Segment information (cont'd)

(a) Business information

Year ended 31 December 2009	Construction $'000	Property developments $'000	Property investment $'000	Corporate and others $'000	Notes	Total $'000
Segment revenue						
Total revenue	386,138	86,687	2,018	36,422		511,265
Intersegment sales	(54,820)	(43,160)	(433)	(36,417)	A	(134,830)
External customers	331,318	43,527	1,585	5		376,435
Profit before tax	8,334	122,331	1,477	25,970		158,112
Adjustments and elimination	(12,667)	(42,013)	(433)	(24,662)		(79,775)
Segment profit/(loss)	(4,333)	80,318	1,044	1,308	B	78,337
Interest income	18	5,217	–	–		5,235
Finance costs	(27)	(3,512)	(229)	–		(3,768)
Depreciation and amortisation	(597)	(244)	(3)	(160)		(1,004)
Share of results of associates	426	84,543	–	240		85,209
Other non-cash items:					C	
Net fair value gain on investment properties	–	–	400	–		400
Net fair value gain on investment securities	122	–	–	72		194
Provision for foreseeable loss	(706)	–	–	–		(706)
Reversal of impairment loss on trade receivables	–	2,477	–	–		2,477
Fair value loss on interest rate swap	–	(20)	–	–		(20)
Assets and liabilities						
Investment in associates	538	168,024	–	1,955		170,517
Additions to non-current assets	299	180	4	274	D	757
Segment assets	147,536	405,328	31,054	8,345	E	592,263
Segment liabilities	201,887	116,837	6,820	9,037	E	334,581

Notes to the Financial Statements (cont'd)

37. Segment information (cont'd)

(a) Business information (cont'd)

Year ended 31 December 2008	Construction $'000	Property developments $'000	Property investment $'000	Corporate and others $'000	Notes	Total $'000
Segment revenue						
Total revenue	313,879	59,728	1,894	17,885		393,386
Intersegment sales	(12,798)	(7,700)	(417)	(17,880)	A	(38,795)
External customers	301,081	52,028	1,477	5		354,591
Profit before tax	(10,663)	67,460	(300)	10,278		66,775
Adjustments and elimination	175	(8,009)	(416)	(10,021)		(18,271)
Segment profit/(loss)	(10,488)	59,451	(716)	257	B	48,504
Interest income	53	5,503	–	6		5,562
Finance costs	(3)	(3,352)	(237)	–		(3,592)
Depreciation and amortisation	(483)	(222)	(2)	(198)		(905)
Share of results of associates	61	48,825	–	318		49,204
Other non-cash items:					C	
Net fair value loss on investment properties	–	–	(900)	–		(900)
Net fair value loss on investment securities	(108)	–	–	(137)		(245)
Provision for foreseeable loss	(11,904)	–	–	–		(11,904)
Impairment loss on trade receivables	–	(2,477)	–	–		(2,477)
Assets and liabilities						
Investment in associates	112	104,282	–	1,714		106,108
Additions to non-current assets	1,435	228	3	25	D	1,691
Segment assets	128,325	386,008	30,688	4,011	E	549,032
Segment liabilities	155,366	191,865	11,410	4,929	E	363,570

Notes to the Financial Statements (cont'd)

37. Segment information (cont'd)

(a) Business information (cont'd)

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:

	2009 $'000	2008 $'000
Share of results of associates	85,209	49,204
Profit from inter-segment sales	(2,357)	–
Finance costs	(3,768)	(3,592)

C Other non-cash expenses consist of fair value adjustment on investment properties, investment securities and derivatives, provisions and impairment of financial assets as presented in the respective notes to the financial statements.

D Additions to non-current assets relate to additions to property, plant and equipment.

E There are no material reconciliations of the total of the reportable segments' assets and liabilities to the entity's assets and liabilities respectively.

(b) Geographical information

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

	Singapore $'000	Other countries $'000	Total $'000
Year ended 31 December 2009			
Total revenue	504,594	6,671	511,265
Inter-segments sales	(134,830)	–	(134,830)
External customers	369,764	6,671	376,435
Non-current assets	32,986	17	33,003

Notes to the Financial Statements (cont'd)

37. Segment information (cont'd)

(b) Geographical information (cont'd)

	Singapore $'000	Other countries $'000	Total $'000
Year ended 31 December 2009			
Total revenue	388,538	4,848	393,386
Inter-segments sales	(38,795)	–	(38,795)
External customers	349,743	4,848	354,591
Non-current assets	32,916	4	32,920

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

(c) Information about a major customer

Revenue from one major customer amount to $70,301,000 (2008: $100,398,000), arising from revenue by the construction segment.

38. Dividend proposed

The Directors propose that a tax exempt one-tier first and final dividend of 3.0 cents per share, amounting to $19,785,455 (2008: tax exempt one-tier first and final dividend of 0.75 cent per share amounting to $4,946,363) be paid for the year ended 31 December 2009.

39. Events occurring after balance sheet date

Subsequent to the balance sheet date,

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

Name of Company	Consideration	Principal activities	Proportion (%) of ownership interest
CES Corporation Australia Pty Ltd	A$100	Investment holding	100
CES – McKenzie (Vic) Pty Ltd *	A$100	Investment and property development	100
CEL-Fort Pte. Ltd.	S$2	Property development	100

* CES – McKenzie (Vic) Pty Ltd is a wholly-owned subsidiary of CES Corporation Australia Pty Ltd.

(b) the Group's subsidiary, CES – McKenzie (Vic) Pty Ltd entered into a contract of sales to purchase a land parcel in Melbourne, Australia. The purchase consideration amounted to A$20.2 million.

Notes to the Financial Statements (cont'd)

40. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2009 were authorised for issue in accordance with a resolution of the Directors on 18 March 2010.

Statistics Of Shareholdings

As at 19 March 2010

Share Capital

Issued and fully-paid capital	:	$79,690,709
Class of Shares	:	Ordinary share
Voting rights	:	One vote for each share

Distribution of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	29	0.29	9,847	0.00
1,000 - 10,000	5,409	53.82	31,385,729	4.76
10,001 - 1,000,000	4,572	45.49	247,751,649	37.57
1,000,001 and above	40	0.40	380,367,936	57.67
Total :	10,050	100.00	659,515,161	100.00

Substantial Shareholders	Direct Interest	%	Deemed Interest	%
Lim Tiam Seng (1)	65,499,000	9.93	17,198,000	2.61
Lim Tiang Chuan	44,177,000	6.70	-	-
Kwee Lee Keow (2)	17,198,000	2.61	65,499,000	9.93

Notes :

1 Mr Lim Tiam Seng's deemed interests inlcude 17,198,000 shares held by Madam Kwek Lee Keow (wife).

2 Madam Kwek Lee Keow's deemed interets include the shares held by Mr Lim Tiam Seng (husband).

Statistics of Shareholdings (cont'd)

Twenty Largest Shareholders

No.	Name	No. of Shares	%
1	Lim Tiam Seng	65,499,000	9.93
2	Lim Tiang Chuan	44,177,000	6.70
3	Lim Tian Back	22,003,000	3.34
4	Lim Ling Kwee	20,605,000	3.12
5	Lim Tian Moh	18,853,000	2.86
6	Raffles Nominees Pte Ltd	17,351,000	2.63
7	Kwek Lee Keow	17,198,000	2.61
8	Lim Sock Kiang	15,377,000	2.33
9	BNP Paribas Securities Services Singapore	14,716,500	2.23
10	Lim Sock Joo	14,702,000	2.23
11	HSBC (Singapore) Nominees Pte Ltd	13,917,000	2.11
12	OCBC Securities Private Ltd	12,698,000	1.93
13	DBS Nominees Pte Ltd	10,690,751	1.62
14	United Overseas Bank Nominees Pte Ltd	9,668,500	1.47
15	UOB Kay Hian Pte Ltd	9,622,000	1.46
16	DBS Vickers Securities (S) Pte Ltd	7,716,000	1.17
17	Kim Eng Securities Pte. Ltd.	6,365,000	0.97
18	CIMB-GK Securities Pte. Ltd.	6,121,000	0.93
19	Phillip Securities Pte Ltd	6,086,095	0.92
20	Chia Lee Meng Raymond	5,625,000	0.85
Total :		338,990,846	51.41

Percentage of Shareholding in Public's Hands

Approximately 61.88% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

Notice of Annual General Meeting

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 Sapphire 1 & 2, Orchid Lodge-Level II, Orchid Country Club, No. 1 Orchid Club Road, Singapore 769162 on Monday, 26 April 2010 at 3.30 p.m. for the following purposes:

AS ROUTINE BUSINESS:

1. To receive and adopt the Directors' Report and Audited Accounts of the Company for the year ended 31 December 2009 and the Auditors' Report thereon. **(Resolution 1)**

2. To declare a Tax Exempt One-Tier First and Final Dividend of 3.0 cents per ordinary share for the financial year ended 31 December 2009 (2008: Tax Exempt One-Tier First and Final Dividend of 0.75 cent per ordinary share). **(Resolution 2)**

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

4. To re-elect Mr 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 Ms Dawn Lim Sock Kiang, being a Director who retires pursuant to Article 119 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$185,000 for the financial year ended 31 December 2009 (2008: S$185,000). **(Resolution 7)**

8. To approve the payment of Directors' fees of S$185,000 for the financial year ending 31 December 2010, to be paid quarterly in arrears. **(Resolution 8)**

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

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

AS SPECIAL BUSINESS:

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

11. **"SHARE ISSUE MANDATE**

"That pursuant to Section 161 of the Companies Act, Cap. 50 and the listing rules of the Singapore Exchange Securities Trading Limited ("SGX-ST") and notwithstanding the provisions of the Articles of Association of the Company, authority be and is hereby given to the Directors of the Company to:

a. (i) issue shares in the capital of the Company (whether by way of rights, bonus or otherwise); and/or

Notice of Annual General Meeting (cont'd)

(ii) make or grant offers, agreements or options (collectively, "Instruments") 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,

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) the fifty per cent (50%) limit under sub-paragraph (i) above, may be increased to one hundred per cent (100%) where the Company undertakes a pro-rata renounceable rights issue;

(iv) 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

(v) 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 10)

Notice of Annual General Meeting (cont'd)

12. "ISSUE OF SHARES AT A DISCOUNT

That subject to and pursuant to the share issue mandate in Resolution 10 above being obtained, authority be and is hereby given to the Directors of the Company to issue new shares other than on a pro-rata basis to shareholders of the Company at an issue price per new share which shall be determined by the Directors in their absolute discretion provided that such price shall not represent a discount of more than twenty per cent (20%) to the weighted average price per share determined in accordance with the requirements of the SGX-ST." [See Explanatory Note (vi)]

(Resolution 11)

13. "CHIP ENG SENG EMPLOYEES' SHARE OPTION SCHEME 2001

That the Directors of the Company be and are hereby authorised to offer and grant options in accordance with the provisions of the Chip Eng Seng Employees' Share Option Scheme 2001 (the "2001 Scheme") and pursuant to Section 161 of the Companies Act, Cap. 50, to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of the options under the 2001 Scheme provided always that the aggregate number of shares to be issued pursuant to the 2001 Scheme shall not exceed fifteen per cent (15%) of the total number of issued shares excluding treasury shares of the Company from time to time."
[See Explanatory Note (vii)] **(Resolution 12)**

14. "CHIP ENG SENG PERFORMANCE SHARE PLAN

That the Directors of the Company be and are hereby authorized to offer and grant awards in accordance with the provisions of the Chip Eng Seng Performance Share Plan (the "Performance Share Plan") and pursuant to Section 161 of the Companies Act, Cap. 50, to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the vesting of awards under the Performance Share Plan, provided that the aggregate number of shares to be issued pursuant to the 2001 Scheme, the Performance Share Plan and any other share based incentive schemes of the Company shall not exceed fifteen per cent (15%) of the total number of shares excluding treasury shares of the Company from time to time." [See Explanatory Note (viii)] **(Resolution 13)**

15. "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 12 of the Circular dated 2 April 2007 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 (ix)] **(Resolution 14)**

By Order of the Board

Abdul Jabbar Bin Karam Din
Joint Company Secretary

Singapore, 9 April 2010

Notice of Annual General Meeting (cont'd)

Notes:

1. Save as provided in the Articles of Association, a member entitled to attend and vote at the Annual General Meeting is entitled to appoint up to two proxies to attend and vote in his stead. A proxy need not be a member of the Company.

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

EXPLANATORY NOTES:

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

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

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

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

(v) **Resolution 10** is to empower the Directors to 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 10 (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. The Company may increase the limit to one hundred per cent (100%) where it undertakes a pro-rata renounceable rights issue. 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 10, 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 10, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and (iii) any subsequent bonus issue, consolidation or subdivision of shares.

    The allotment and issuance of shares in the Company up to one hundred per cent (100%) of its issued capital by way of a pro-rata renounceable rights issue is a new measure introduced by the Singapore Exchange Limited, in consultation with the Monetary Authority of Singapore, on 20 February 2009 to accelerate and facilitate listed issuers' fund raising efforts and will be in effect until 31 December 2010.

    The aforesaid mandate to issue up to one hundred per cent (100%) of the Company's issued capital is conditional upon the Company:

    (i) making periodic announcements on the use of the proceeds as and when the funds are materially disbursed; and

    (ii) providing a status on the use of proceeds in the annual report.

    This mandate, if passed, will provide the Directors with an opportunity to raise funds and avoid prolonged market exposure by reducing the time taken for shareholders' approval, in the event the need arises. Concerns over the dilution of minority shareholders' interests are mitigated as all shareholders have equal opportunities to participate and can dispose their entitlements through trading nil-paid rights if they do not wish to subscribe for their rights shares.

(vi) **Resolution 11** is to authorise the Directors to allot and issue new shares on a non pro-rata basis at a discount of not exceeding twenty per cent (20%). This authority will continue in force until the next Annual General Meeting.

(vii) **Resolution 12** is to authorise the Directors to offer and grant options in accordance with the provisions of the 2001 Scheme and pursuant to Section 161 of the Companies Act, Cap. 50 to allot and issue shares under the 2001 Scheme. The size of the 2001 Scheme is limited to fifteen per cent (15%) of the total number of issued shares excluding treasury shares of the Company for the time being.

(viii) **Resolution 13** is to authorise the Directors to offer and grant awards in accordance with the provisions of the Chip Eng Seng Performance Share Plan to allot and issue shares thereunder.

(ix) **Resolution 14** is to renew the Shares Purchase Mandate, which was originally approved by the shareholders on 27 April 2007. The Company bought 8,000,000 ordinary shares of the Company during the financial year 2007. Detailed information on the Renewal of the Share Purchase Mandate is set out in Appendix A.

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 Sapphire 1 & 2, Orchid Lodge-Level II, Orchid Country Club, No. 1 Orchid Club Road, Singapore 769162 on Monday, 26 April 2010 at 3.30 p.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 Accounts for the financial year ended 31 December 2009 **(Resolution 1)**		
2	Payment of a proposed first and final dividend **(Resolution 2)**		
3	Re-election of Mr Lim Tiang Chuan as a Director **(Resolution 3)**		
4	Re-election of Mr Ang Mong Seng as a Director **(Resolution 4)**		
5	Re-election of Ms Dawn Lim Sock Kiang as a Director **(Resolution 5)**		
6	Re-appointment of Mr Lim Tiam Seng as a Director pursuant to Section 153(6) of the Companies Act, Cap. 50 **(Resolution 6)**		
7	Approval of Directors' fees amounting to S$185,000 for the financial year ended 31 December 2009 **(Resolution 7)**		
8	Approval of Directors' fees amounting to S$185,000 for the financial year ending 31 December 2010, to be paid quarterly in arrears **(Resolution 8)**		
9	Re-appointment of Messrs Ernst & Young LLP as Auditors **(Resolution 9)**		
10	Any other business		
	SPECIAL BUSINESS		
11	Authority for Directors to allot and issue new shares pursuant to Section 161 of the Companies Act, Cap. 50 **(Resolution 10)**		
12	Authority for Directors to allot and issue new shares on a non pro-rata basis at a discount not exceeding twenty per cent (20%) **(Resolution 11)**		
13	Authority for Directors to offer and grant options and issue shares in accordance with the provisions of the Chip Eng Seng Employees' Share Option Scheme 2001 **(Resolution 12)**		
14	Authority for Directors to offer and grant awards and issue shares in accordance with the provisions of the Chip Eng Seng Performance Share Plan **(Resolution 13)**		
15	Approval of the renewal of the Share Purchase Mandate **(Resolution 14)**		

* Please indicate your vote "For" or "Against" with a tick (v) within the box provided.

Dated this __________ day of __________________ 2010

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

IMPORTANT: PLEASE READ NOTES OVERLEAF

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

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.

CORPORATE INFORMATION

Executive Directors

Lim Tiam Seng PBM
Executive Chairman

Lim Tiang Chuan
Executive Deputy Chairman

Chia Lee Meng Raymond
Group Chief Executive Officer

Dawn Lim Sock Kiang
Executive Director

Independent Directors

Goh Chee Wee

Hoon Tai Meng

Ang Mong Seng

Audit Committee

Goh Chee Wee
Chairman

Hoon Tai Meng

Ang Mong Seng

Remuneration Committee

Goh Chee Wee
Chairman

Hoon Tai Meng

Ang Mong Seng

Nominating Committee

Hoon Tai Meng
Chairman

Ang Mong Seng

Goh Chee Wee

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

Cheng Heng Tan
Since financial year ended
31 December 2006

Company Secretaries

Abdul Jabbar Bin Karam Din

Loh Lee Eng, ACIS

Principal Bankers

DBS Bank Ltd

United Overseas Bank Limited

Malayan Banking Berhad

Standard Chartered Bank

The Bank of East Asia Limited
(Singapore Branch)

The Hongkong and Shanghai
Banking Corporation Limited

RHB Bank Berhad

Oversea-Chinese Banking
Corporation Limited

Bank of South Australia (Australia)

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

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Singapore 408561
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Co. Reg. No. 199805196H