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

Annual Report 2011

Cultivating value through excellence

集聚价值

... in all we do



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Corporate Profile

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

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

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

Construction

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

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

Property Development & Investments

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

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

Corporate Transparency Award

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

Chairman's Message

Dear Shareholders,

2011 was a good year for the Group; it sold more than 1300 residential units of its projects, which included units in Privé, Belysa, My Manhattan, Oasis@ Elias and Belvia in Singapore and 33M in Australia. The Construction division performed well and was awarded several contracts and the Group also expanded its investment property portfolio.

The Group reported revenue of $360.0 million and net profit of $123.7 million for the financial year ended 31 December 2011. With the adoption of the new accounting standard INT FRS 115, the corresponding revenue and net profit for 2010 have been restated to be $477.0 million and $174.3 million respectively. Taking the two years together, Chip Eng Seng reported combined net profits of $298.0 million for 2010 and 2011. And this had driven our shareholders' equity up 2.5 times over the period; net assets value per share had also risen from a restated 25 cents as at end of 2009 to 63 cents currently.

The Group's financial position is strong. As of 31 December 2011, the Group has $155.8 million in cash and cash equivalents, up from $133.6 million previously. This was primarily attributed to dividend income from its completed joint-venture development projects, namely The Parc Condominium, CityVista Residences and Grange Infinite.

I am pleased to announce that the Board has proposed a first and final dividend of 4 cents per share (tax-exempt one-tier), same as that of 2010. I am also proud to note that Chip Eng Seng has been paying dividends annually since its listing in 1999.

Construction

New projects awarded during the year were HDB projects in Hougang as well as our joint venture executive condominium project, Belysa. In January 2012, the Group was awarded a $125.0 million HDB project in Yishun, bringing the Group's outstanding order book to $470.0 million.

The Group will continue to actively tender for HDB construction projects as HDB ramps up its building programme. The Group has also expanded its precast operations; its 12-acres Senai plant is fully operational and well-positioned to tap the increasing demand for precast components in HDB projects and from other contactors seeking to enhance on-site productivity.

Property Development

Property projects launched in 2011 included its wholly-owned condominium project, My Manhattan at Simei Street 3, a joint venture executive condominium project, Belysa at Pasir Ris and Belvia, the Group's first DBSS project in Bedok Reservoir Crescent.

As at 31 December 2011, My Manhattan was 43.0% sold, while our 40.0%-owned executive condominium projects, Privé and Belysa were 99.4% and 99.0% sold respectively. Belvia is approximately 65.0% sold to date, based on options granted. Our Australian condominium development, 33M in Melbourne was 99.2% sold.

Chairman's Message

Taking the two years together, Chip Eng Seng reported combined net profits of $298 million for 2010 and 2011.

Property Investments

As part of a strategic move to diversify and broaden its earnings base, the Group increased its investment property portfolio. In December 2011, the Group was awarded a 7,946.2 square metres land parcel at Jalan Bukit Merah/ Alexandra Road by Urban Redevelopment Authority ("URA") for hotel and retail development. In September 2011, it acquired a commercial building at 150 Queen Street, Melbourne, Australia. The building has a site area of 913 square metres and provides opportunity for significant upgrading, or for potential redevelopment as a residential project.

Awards

In 2011, Chip Eng Seng received the runner-up award in the "Most Transparent Company Award 2011" within the Construction category at the SIAS Investors' Choice Awards. The Group is honored that this is the seventh time that Chip Eng Seng has received recognition for good disclosure and corporate governance practices. Chip Eng Seng has always placed the highest importance on ensuring that accurate and clear information is being communicated to investors in a timely manner for this underpins investor trust and confidence in the Group.

Outlook and Strategy

All our development projects are almost fully sold except for My Manhattan and Belvia. In 2012, the Group plans to launch a 128-unit mid-to-high end condominium development, Fulcrum at Fort Road.

In December 2011, the government introduced its fifth set of measures to cool investment demand, by raising stamp duties for residential property purchases by foreign buyers and for subsequent home purchases by PRs and Singaporeans. On the supply side, the government is also boosting the supply of land for private homes in the first half of 2012 as part of its land sales programme.

Under such challenging conditions, we will be looking at ways to deliver sustainable and better returns to shareholders. We are now seeking to leverage on our extensive experience to diversify further into the regional hospitality industry.

Our first foray will be the building and management of a business hotel in the Alexandra area. Currently, the supply of hotel rooms in Singapore is lagging the strong demand from the robust growth in tourist arrivals. We intend to develop the plot of land into 3-and-a-half to 4-star hotel that offers a convenient and value-for money alternative for business travellers, especially those visiting nearby business hubs such as One-North, as well as for other regional visitors. The development will have more than 450 rooms and a retail component. We will explore possible tie-ups with hotel management companies to operate the hotel.

With the adoption of the new accounting standard INT FRS 115, the Group's financial performance for future financial years is expected to be more volatile. Revenue and related expenses from overseas sales of development units and Singapore residential units sold under the DBSS ("Design, Build and Sell Scheme"), EC ("Executive Condominium") and Deferred Payment Scheme ("DPS") will only be recognised when the development units are delivered to the purchasers.

However, barring unforeseen circumstances, the Group expects to remain profitable in 2012.

Appreciation

An organisation can only succeed with the full support of its various stakeholders, both internal and external. I am very grateful for the continuing trust and support that Chip Eng Seng has received from our shareholders, contractors, architects, material suppliers, bankers and various professionals, as well as our strategic partners. I am also deeply appreciative of the diligence and commitment of our management and staff.

It has been an eventful year and many strategic decisions had to be taken to ensure that Chip Eng Seng continues to deliver sustainable growth and value to our shareholders. I am very thankful to my fellow directors for their time and contributions to the Board; their counsel and support on these decisions have been invaluable.

LIM TIAM SENG PBM
Executive Chairman
31 March 2012

主席致词

各位股东

2011 年对我们集团是一个丰收之年。我们销售了 1300 多套项目住宅，其中包括了新加坡 Privé、Belysa、My Manhattan、绿景苑（Oasis@Elias）和百丽湾(Belvia）的发展项目以及澳大利亚的 33M 公寓。建筑部业绩表现良好，成功签订了多个合同，集团也扩大了投资物业组合。

截至 2011 年 12 月 31 日的财政年度中，集团报告收入 3 亿6000万元，净利润 1亿2370万元。采纳新会计准则 INT FRS 115 后，2010 年的相应收入和净利润已分别调整为 4亿7700万元和 1 亿7430万元。合计2010年和2011年，集团利润报2亿9800万元，这也使我们的股东股权在这段时期内增加了 2.5 倍。每股净资产值也从 2009 年底的 25 分（调整后）上涨到现在的每股 63 分。

集团的财务状况是强大的。截至 2011 年 12 月 31 日，集团持有的现金和现金等价物达 1 亿5580 万元，超越了去年的 1亿3360万元现金持有量；这主要是因集团从已完成的合资开发项目，如：柏景苑（The Parc）、景晶苑(CityVista Residences）和格兰芝公寓（Grange Infinite）获得的股息收入。

我很荣幸地宣布，董事会提议的期初和期末股息为每股 4 分(免税股息），与 2010 年相同。我也在此很骄傲地指出，集永成自 1999 年上市以来，每年都定期支付股息。

建筑部

年内所授予的项目包括建屋局位于后港的组屋项目，以及我们的合资执行共管项目 Belysa。2012 年 1 月，集团也被授予一个 1 亿2500 万元位于义顺的建屋局项目。集团的未结订单达到 4 亿7000万元。

随着建屋局扩大建筑计划，集团将继续积极投标开展建屋局建设项目。集团还扩大了预制品经营范围；集团在柔佛士乃占地 12 英亩的工厂已全面运营，足以满足建屋局项目中对预制构件日益增加的需求，也能帮助其他承包商提高现场生产能力。

房地产开发

2011 年所推出的房地产发展项目包括集团独资拥有、位于 Simei Street 3 的共管式公寓 My Manhattan 和位于 Pasir Ris 的合资执行共管公寓项目 Belysa。除此之外，还有位于Bedok Reservoir Crescent 的百丽湾，这也是集团在建屋局的设计、建造和销售计划下所发展的首个项目。

截至 2011 年 12 月 31 日，My Manhattan 公寓已经售出 43.0%，与此同时，集团所拥有 40.0% 股份的执行共管项目 Privé 和 Belysa 亦分别售出 99.4% 和 99.0%。迄今为止，百丽湾项目已经按照授予的期权售出大约 65.0%。我们在澳大利亚墨尔本的共管公寓开发项目 33M 公寓也售出 99.2%。

主席致词

房地产投资
集团增加了投资物业组合，作为丰富和开拓盈利方式的战略。2011 年 12 月，集团成功标下了位于 Jalan Bukit Merah/ Alexandra Road 的 7,946.2 m^2 的土地，用于建设酒店及零售设施。2011年9月，集团收购了澳大利亚墨尔本皇后街 150 号的一幢商业大厦。该大厦土地面积 913 m^2，可将大厦进行大规模提升，或重新开发为住宅项目。

奖项
2011 年，集永成荣获新加坡证券投资者协会颁发建筑行业组“最透明公司奖”亚军。这是集永成集团第七次因公司良好的企业透明度与公司治理方面的优异表现而获得此项认可。集永成集团始终把保证向投资者及时传递准确、清晰的信息作为工作的重中之重，这样才能巩固投资者对集团的信任和信心。

前景与战略
除 My Manhattan 和百丽湾以外，我们所有的开发项目几乎都已售罄。2012 年，集团计划在炮台路 (Fort Road) 开发一个 128 单位的中端至高端共管公寓项目。

2011 年 12 月，政府推出了第五轮的房地产降温措施，提高了外国买家所需缴付的买方印花税，以及对购更多住宅的永久居民和新加坡公民施行额外的买方印花税。在土地供应方面，政府也将在2012年的上半年，在政府土地出售计划下提高私人住宅土地的供应。

在这些艰难的条件下，我们仍将为股东寻找各种能实现更好地、可持续性地回报的方法。我们正在努力利用我们丰富的经验，进一步拓展区域酒店行业。

集团首个进军商务酒店的建设和管理的项目位于新加坡亚历山大地区。 目前，新加坡的酒店客房供应相对滞后，不能满足入境旅游强劲增长的需求。我们打算将其建成一栋 3.5 星到 4 星级酒店，为出差商务人士（尤其是访问附近的 One-North 等商业中心的商务人士）及到其他地区旅行的旅客提供舒适、物有所值的选择。项目将包括 450 多间客房和一个零售区域。我们将寻求与酒店管理公司合作经营这家酒店。

采纳新会计准则 INT FRS 115 后，集团未来财年的财政绩效将较为不确定。海外销售的开发单位，设计、建设和销售计划下销售的建屋局组屋，执行共管公寓，和延期付款计划销售的新加坡住宅单位的收入和相关支出，只有在开发单位交付给买家以后才被认可。

但是，在不考虑不可预见条件的情况下，集团仍有望在 2012 年保持盈利。

感言
没有各方大力的支持，任何机构的成就都是不可能实现的。我衷心感谢我们的股东们、承包商、建筑师、供应商、银行家、专家和战略伙伴对集永成坚定不移的支持和信任。我也要感谢集团的管理团队和员工们付出的辛劳和对集团的忠诚。

这是多姿多彩的一年，我们必须采取许多战略决策以保证集永成继续为股东带来可持续的成长和价值。我非常感谢各位董事为董事会付出的时间和作出的贡献，董事们对这些决策的提议和支持对于集团的发展功不可没。

林镇成 PBM
执行主席
2012 年 3 月 31 日

Financial Review

Revenue and Profitability

With effect from 1 January 2011, the Group adopted the new accounting standard INT FRS 115 under which revenue and related expenses from overseas sales of development units and Singapore residential units sold under the DBSS ("Design, Build and Sell Scheme"),EC ("Executive Condominium") and DPS ("Deferred Payment Scheme") will only be recognised when the development units are delivered to the purchasers. FY2010 financial statements have therefore been re-stated to reflect the adoption of the new standard.

The Group achieved total revenue of $360.0 million for FY2011 compared to $477.0 million in FY2010, a decrease of 24.5%.

Revenue from our Construction Division decreased by 32.5% to S$205.9 million in FY2011 compared to $305.2 million in FY2010 due to the completion of several projects in the previous and current year, namely The Parc condominium and CityVista Residences were completed in 3Q2010, Grange Infinite and Sengkang N4C3 in 1Q2011, Queentown RC25 in 4Q2011 and the near completion of Punggol West C25 in 4Q2011. However, the decrease was partially compensated by the revenue contribution from on-going projects such as Hougang N9C12, Hougang N4C17, Privé and Belysa.

Revenue from our Property Division also contributed to the lower Group revenue for FY2011. It decreased by 10.4% to $152.0 million in FY2011 compared to $169.7 million in

Financial Review

FY2010 due to lesser progressive revenue recognition from a 100%-sold development project, Oasis@Elias, which obtained TOP in 3Q2011. However, the decrease was partially compensated by the revenue recognized from the sales of units in My Manhattan, which was launched in 1Q2011.

Gross profit increased 138.4% to $139.7 million in FY2011 compared to $58.6 million in FY2010 due to the progressive recognition of profit from the sales of two wholly-owned development projects, Oasis@Elias and My Manhattan as well as cost savings from construction projects. The Group was able to achieve substantial cost savings from a number of completed or substantially completed construction projects as a result of value added engineering and enhanced project management.

Group pre-tax profit decreased 19.8% to $141.9 million for FY2011 compared to $177.1 million for FY2010. The decrease was due to the adoption of INT FRS 115 which had resulted in a higher re-stated profit for FY2010.

Operating Expenses

Overall operating expenses declined by $1.3 million to $31.8 million in FY2011 mainly due to lower commission expenses incurred for local projects, compared to the higher commission rate charged by the marketing agent for our Australian project 33M in FY2010. The lower finance cost due to the repayment of bank loan also contributed to the decrease in overall operating expenses.

Share of Associates

Share of results of associates decreased by 83.4% to $23.8 million in FY2011 compared to $143.6 million due to the adoption of INT FRS 115. Higher share of results for FY2010 was mainly derived from the share of profit in The Parc Condominium and CityVista Residence. Both projects obtained TOP in 3Q2010. The lower share of results for FY2011 was mainly derived from Grange Infinite which obtained TOP in 1Q2011.

Balance Sheet Review

Assets

The Group's total assets increased from $842.9 million to $990.5 million, mainly due to the increases in investment properties, development properties and cash & cash equivalents.

Investment Properties

Investment properties increased from $96.5 million to $139.4 million due to the acquisition of an investment property in Melbourne, Australia.

Investment in Associates

Investment in associates declined from $110.0 million to $12.8 million. The decrease was mainly due to dividends received from its associates as a result of the completion of several joint venture development projects in the current and previous years.

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

The net decrease in gross amount due to customers for contract work-in-progress was due to the completion of several projects in the previous and current year.

Development Properties

Development Properties rose from $318.8 million to $458.4 million, due to the land acquisitions in Singapore, namely Fort Road and Bedok Reservoir Crescent and also in Perth, Australia for property development projects.

Trade and Other Receivables

Group trade and other receivables increased from $84.3 million to $136.0 million due to the accrual for receivables for amount due from buyers of our 100%-sold project, Oasis@Elias which obtained TOP in 3Q2011.

Cash and Cash Equivalents

As a result of the Group's strong financial performance, the completion of Oasis@Elias and dividend income from associates, cash position strengthened from $133.6 million to $155.8 million.

Borrowings

The Group's total borrowings increased from $284.9 million to $409.5 million. The increase was mainly due to financing obtained for the Group's land acquisition activities in Singapore and Australia as well as for its investment property in Singapore. Consequently, the Group's net gearing rose from 0.47 to 0.61.

Shareholders' Equity

Shareholders' Equity continued to expand from $320.3 million to $416.9 million as a result of the group's overall performance in FY2011. Net asset value per share rose from 48.6 cents to 63.0 cents.

Operations Review

Construction

Construction revenue decreased by 32.5% to $205.9 million for FY2011, mainly due to the absence of contributions from The Parc Condominium and CityVista Residences as these projects were completed in 3Q2010. Lower contributions from Grange Infinite and Sengkang N4C3, which were completed in 1Q2011 and Queenstown RC25 and Punggol West C25, which were completed or near completion in 4Q2011 also contributed to the decrease.

Revenue contribution from on-going projects such as Hougang N9C12, Hougang N4C17, Privé and Belysa also contributed to the revenue for the current year.

Construction contracts secured in 2011 included the $74.0 million contract for Belysa, and the $113.0 million contract for the construction of five blocks of residential units at Hougang N4C17. In January 2012, the Construction division was also awarded a $125.0 million

Operations Review

building contracts by the HDB for the construction of eight blocks of residential units in Yishun N5C2. This brings total net order book to $470.0 million.

In line with the Singapore's government push for greater productivity in the construction sector, the Group further expanded its precast operations. Following the success of its first yard in Tampines which was started in 2002, the Group started building its second precast yard in 2010 on a 12-acre plot of land at Senai, Johor Bahru. The yard has since been completed and is currently fully operational. It supplies precast components to the Group's internal projects as well as external customers who include main contractors for HDB projects. Last year, its Precast Division was awarded several external new contracts amounting to $33.7 million.

Property Development

Property Development revenue decreased by 10.4% to $152.0 million for FY2011 compared to $169.7 million for FY2010. The lower revenue was due to the lesser progressive recognition of revenue from a 100%-sold development project, Oasis@Elias as it had obtained TOP in 3Q2011. The decrease was partially compensated by the revenue recognition of sales of units in My Manhattan, launched in 1Q2011.

In 2011, the Group achieved TOP for Grange Infinite and Oasis@Elias. During the year, it also launched My Manhattan (301-unit private condominium project in Simei Street 3), Belysa (315-unit executive condominium project in Pasir Ris, and Belvia (the Group's first 488-unit DBSS project in Bedok Reservoir Road).

The Group sold more than 1300 residential units in 2011. As at 31 December 2011, My Manhattan was 43.0% sold while Belysa was 99.0% sold respectively. Belvia is approximately 65.0% sold to date, based on options granted. Privé, its other joint venture 680-unit executive condominium in Punggol Field, and its Australian residential development, 33M in Melbourne were 99.4% and 99.2% sold respectively.

33M is targeted to be completed in late 2012, Privé and Belysa in 2013 and Belvia in 2014.

Property Investments

Property Investments revenue remained steady at $1.9 million in 2011, mainly derived from rental income from the Group's investment properties. In 2011, the Group successfully tendered for a 7,946.2 sqm land parcel at Alexandra Road by the Urban Redevelopment Authority ("URA") where it plans to develop into a 450-room hotel with a retail component. It also acquired a commercial building at 150 Queen Street, Melbourne, Victoria. The building has a site area of 913 sqm and provides opportunity for significant upgrading, or for potential redevelopment as a residential project.

Projects & Investments Portfolio

Construction

Completed Projects in 2011

	Description	Owner
Grange Infinite Condominium at Grange Road	68-unit condominium in a block of 36-storeys apartment with carpark, swimming pool and other communal facilities	Grange Properties Pte Ltd (a 25:75 joint venture company between CEL Development Pte Ltd and Asdew Acquisitions Pte Ltd)
Oasis@Elias	388 residential units with full condominium facilities	CES Land Pte Ltd
Building works at Sengkang Neighourhood 4 Contract 3	Building works of 698 dwelling units	HDB
Queenstown Re-development Contract 25	Re-development building works of 1,394 dwelling units	HDB

Major On-Going Projects

	Description	Owner
Design & Build of Public Housing at Punggol West Contract 25	Design and Build of 729 dwelling units in Punggol West	HDB
Building works at Hougang Neigbourhood 9 Contract 12	Building works of 699 dwelling units	HDB
Building works at Hougang Neigbourhood 4 Contract 17	Building works of 792 dwelling units	HDB
Privé at Punggol	680 executive condominium units with condominium facilities	Punggol Field EC Pte Ltd (a 40:60 joint venture between CEL Development Pte Ltd and Choicehomes Investments Pte Ltd)
Belysa at Pasir Ris	315 executive condominium units with condominium facilities	Pasir Ris EC Pte Ltd (a 40:60 joint venture between CEL Development Pte Ltd and Choicehomes Investments Pte Ltd)
My Manhattan at Simei	301 residential units with full condominium facilities	CEL-Simei Pte Ltd
Belvia at Bedok Reservoir Crescent	Building works for 488 dwelling units under the design, build & sell scheme	CEL-Bedok Pte Ltd

Projects & Investments Portfolio

Property Development

Completed Development in 2011

	Location	Description	No. of Units	Tenure	TOP	% of Equity Held
Grange Infinite	No. 27 Grange Road Singapore	Condominium	68	Freehold	Feb 2011	25%
Oasis@Elias	Elias Road, Singapore	Condominium	388	99 years	Sept 2011	100%

Current Development

	Location	Description	No. of Units	Tenure	Expected TOP	% of Equity Held
33M	MacKenzie Street, Melbourne, Australia	Condominium	388	Freehold	2012	100%
Privé	Punggol Field Road, Singapore	Executive Condominium	680	99 years	2013	40%
My Manhattan	5, 27, 29, 31, 33, 35 Simei Street 3, Singapore	Condominium	301	99 years	2014	100%
Belysa	Pasir Ris E3, Singapore	Executive Condominium	315	99 years	2013	40%
Belvia	Bedok Reservoir Crescent, Singapore	Design, Build & Sell Scheme	488	99 years	2014	100%

Proposed Development

	Location	Description	No. of Units	Tenure	Expected TOP	% of Equity Held
Development in Perth, Western Australia	West Coast Highway, Perth, Australia	Mixed Development	239	Freehold	Not launched yet	75%
Fulcrum	No. 29 to 59 (odd numbers only) Fort Road, Singapore	Condominium	128	Freehold	Not launched yet	100%

Current Investment Properties

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	Shops and Offices
2 Adjoining Units of 3-Storey Shophouses	86, 86A, 86B Tanjong Pagar Road, Singapore	99 years	Shops and Offices
A Part 2 / Part 4-Storey Commercial Building Comprising An Eating House and Lock-Up Shop on the 1st Storey and Offices on the Upper Storey	161 Geylang Road, Singapore	99 years	Shops and Offices
Retained Units in a 6-Storey Light Industrial Building with a Basement Carpark	69 Ubi Crescent, Singapore	60 years	Light Industrial Building
3 Adjoining Units of 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
11 Levels of Office Accomodation with 2 Levels of Retail Space and 2 Levels of Basement Parking	150 Queen Street, Melbourne, Australia	Freehold	Commercial Building

Proposed Investment Properties

Description	Location	Tenure	Proposed Use
Re-development of a Light Industrial Building	No. 98 & 100 Pasir Panjang Road, Singapore	99 years	Light Industrial Building
Hotel Development with Retail / Commerical Component	Jalan Bukit Merah / Alexandra Road	99 years	Hotel Development with Retail / Commerical Component

Financial Highlights

Turnover ($' million)

Profit before Tax ($' million)

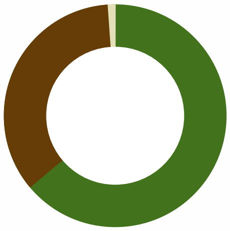
Profit after Tax ($' million)

Earnings per Share (cents)

Net Asset Value Backing per Share (cents)

Net Dividend per Share (cents)

Revenue by Segment

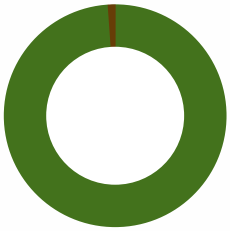


FY2011
57%
42%
1%

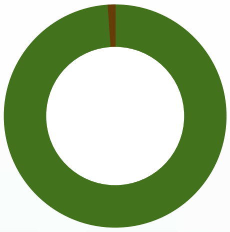
FY2010
64%
35%
1%

Construction
Property Development
Property Investment

Result by Geographical Segment



FY2011
99%
1%



FY2010
99%
1%

Singapore
Australia

Note: Financial figures from 2007 to 2010 had been restated due to the adoption of INT FRS 115 *Agreements for the Construction of Real Estate.*

Significant Events

February 2011

- Full Year Financial Statement Announcement
  The Company released its full year results for FY2010 on 22 February 2011 and held an analysts briefing on 23 February 2011.

- Grange Infinite obtained Temporary Occupation Permit (TOP)
  The Company's joint-venture project, Grange Infinite at Grange Road obtained its TOP. The project is 100% sold.

April 2011

- Annual General Meeting
  The Company held the meeting on 27 April 2011 and all routine and special businesses as set forth in the notice of AGM dated 8 April 2011 were duly passed by the shareholders of the Company.

May 2011

- First Quarter Financial Statement Announcement
  The Company released its first quarter financial statement announcement for FY2011 on 11 May 2011.

- Award of Main Contract Works for the Proposed Executive Condominium Housing Development at Pasir Ris Drive 1 / Elias Road – $74.0 Million
  Wholly-owned subsidiary, CES Engineering and Construction Pte Ltd was awarded a $74.0 million main contract work from Pasir Ris EC Pte Ltd for the erection of 315 residential units with condominium facilities at Pasir Ris Drive 1 / Elias Road.

August 2011

- Second Quarter Financial Statement Announcement
  The Company released its second quarter financial statement announcement for FY2011 on 11 August 2011, and held an analysts briefing on 15 August 2011.

- Award of Contract by Housing & Development Board for Building Works at Hougang Neighbourhood 4 Contract 17 – $113.0 Million
  Wholly-owned subsidiary, Chip Eng Seng Contractors (1988) Pte Ltd has been awarded a $113.0 million building works contract by the Housing & Development Board to construct 5 blocks of residential buildings with 792 dwelling units, a multi-storey carpark and communal facilities at Hougang.

September 2011

- Purchase of a 13-Level Commercial CBD Building at 150 Queen Street, Melbourne, Australia
  Wholly-owned subsidiary, CES-Queen (Vic) Pty Ltd entered into a contract of sale to purchase a commercial building at 150 Queen Street, Melbourne, Australia for A$25.5 million.

Significant Events

- Oasis@Elias obtained Temporary Occupation Permit (TOP)
  The Company's wholly-owned project, Oasis@Elias at Elias Road obtained its TOP. The project is 100% sold.

October 2011

- Award of Precast Contracts – $33.7 Million
  Wholly-owned subsidiary, CES-Precast Pte Ltd was awarded several contracts amounting to $33.7 million for the supply and delivery of precast components for public and private projects.

- Most Transparent Company Award – Construction Category (Runner-Up)
  The Company was conferred Runner-Up for the Most Transparent Company (Construction Category) on 27 October 2011 by the Securities Investors Association Singapore (SIAS). This is the 7th time that the Company either emerged as the Winner or Runner-Up in the construction category.

November 2011

- Third Quarter Financial Statement Announcement
  The Company released its third quarter financial statement announcement for FY2011 on 3 November 2011.

December 2011

- Award of Tender for Land Parcel at Jalan Bukit Merah / Alexandra Road – $189.0 Million
  Wholly-owned subsidiary, CEL Development Pte Ltd ("CEL") was awarded the land parcel tender at Jalan Bukit Merah / Alexandra Road for development into a hotel with a retail component.

February 2012

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

Board of Directors

1.

2.

3.

4.

1. Mr Lim Tiam Seng PBM
Executive Chairman

Mr Lim Tiam Seng, 74, 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.

2. Mr Lim Tiang Chuan
Executive Deputy Chairman

Mr Lim Tiang Chuan, 59, has been a Director of the Company since 23 October 1998. He also holds directorship in some of the Company's subsidiaries and associates. He joined the Group's Construction Division in 1982. He is responsible for the Group's overall operation and business expansion. Mr Lim became the Company's Executive Deputy Chairman on 6 June 2007 and continues to oversee the Group's overall operation and business expansion.

3. Mr Chia Lee Meng Raymond
Group Chief Executive Officer

Mr Chia Lee Meng Raymond, 46, 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.

4. Mr Hoon Tai Meng
Executive Director

Mr Hoon Tai Meng, 60, has been appointed as Executive Director and member of the Nominating Committee on 1 July 2011. He was previously an Independent Director of the Company from 2 November 1999 to 30 June 2011. Mr Hoon was also previously a Partner with KhattarWong. He holds a Bachelor Of Commerce In Accountancy from Nanyang University and a LLB (Honours)

Board of Directors

from the University Of London. He is a Fellow Chartered Institute Of Management Accountants (UK), a Fellow of the Association Of Chartered Certified Accountants (UK), a Fellow Certified Public Accountant in Singapore, and a Barrister-At-Law (Middle Temple). He also sits on the boards of several other public and private companies. Mr Hoon is responsible for assisting the board in the business operation and corporate matters of the Group.

5. Miss Dawn Lim Sock Kiang
Executive Director

Miss Dawn Lim Sock Kiang, 36, was appointed as an Executive Director of the Company and CEL Development Pte Ltd on 1 December 2009. Miss Lim holds a Bachelor Degree in Architecture (Honours) from Deakin University, Melbourne, Australia. Prior to joining CEL as a Project Director, she worked as a senior architect in Melbourne, Australia. Miss Lim is responsible for assisting the board in the business operation of the Company.

6. Mr Goh Chee Wee
Independent Director

Mr Goh Chee Wee, 65, has been an Independent Director since 2 November 1999. He chairs the Audit and Remuneration Committees and is a member of the Nominating Committee. Mr Goh is currently a director of a number of public listed companies and NTUC Cooperatives. He was a former Minister of State for Trade & Industry, Labour & Communications and Member of Parliament for Boon Lay Constituency.

7. Mr Ang Mong Seng
Independent Director

Mr Ang Mong Seng, 62, has been an Independent Director since 19 March 2003. He is a member of the Audit, Remuneration and Nominating Committees. Mr Ang has more than 30 years of experience in estate management. He is a former Member of Parliament for Hong Kah GRC (Bukit Gombak). Mr Ang also serves as an Independent & Non-Executive Director on various public listed companies.

8. Mr Cheng Heng Tan
Independent Director

Mr Cheng Heng Tan, 60, has been appointed as an Independent Director on 20 July 2011. He chairs the Nominating Committee and is a member of the Audit and Remuneration Committees. Mr Cheng is a Certified Public Accountant by profession and was formerly a senior audit partner in Ernst & Young LLP. He is also appointed as the Ethics Director, Asia for Vishay Intertechnology, Inc.


5.


6.


7.


8.

Executive Officers

Mr Lim Beng Chuan
Chief Financial Officer

Mr Lim is our Chief Financial Officer. He is a Fellow Member of the Association of Chartered Certified Accountants (United Kingdom) and a Certified Public Accountant 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 Yeo Siang Thong
Managing Director

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

Mr Ivan Lim
General Manager (Operation)

Mr Lim is the General Manager (Operation) in CEL Development. He oversees all operational matters in CEL including the marketing and project management. Mr Lim has more than 15 years of experience in both real estate development and construction industry. He has been involved in a broad range of private and public sector projects in Singapore including residential, serviced apartment, office as well as air and rail transportation projects. Mr Lim holds a Bachelor Degree in Civil and Structural Engineering from Nanyang Technological University and he is also a certified Project Management Professional (PMP).

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 precast 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.

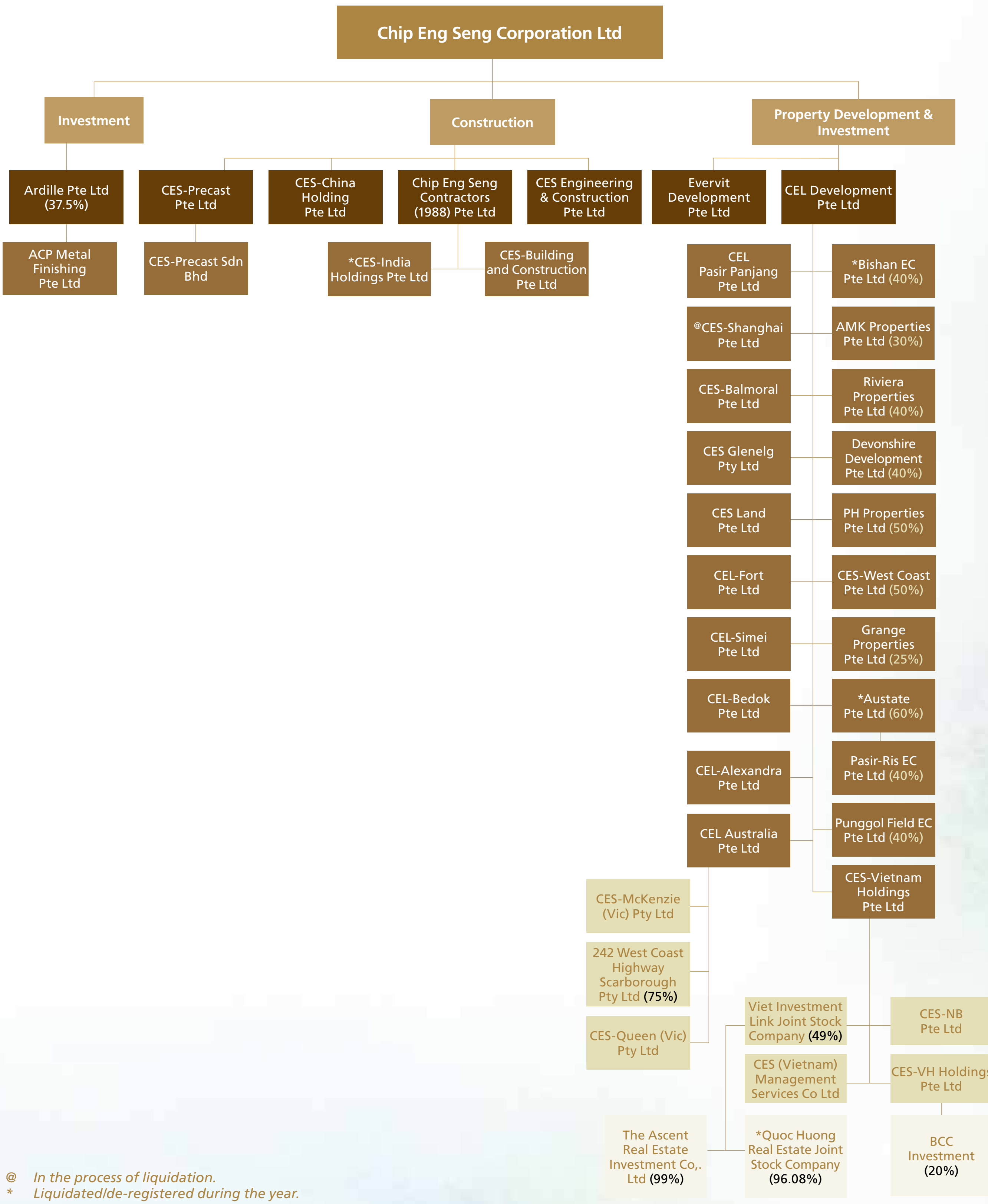
Mr Lim Tian Back
Project Director

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 involved in project management and is responsible for handling all site administrative matters.

Group Structure



@ *In the process of liquidation.*
* *Liquidated/de-registered during the year.*

Corporate Information

EXECUTIVE DIRECTORS
Lim Tiam Seng PBM
Executive Chairman

Lim Tiang Chuan
Executive Deputy Chairman

Chia Lee Meng Raymond
Group Chief Executive Officer

Hoon Tai Meng
Executive Director

Dawn Lim Sock Kiang
Executive Director

INDEPENDENT DIRECTORS
Goh Chee Wee
Ang Mong Seng
Cheng Heng Tan

AUDIT COMMITTEE
Goh Chee Wee
Chairman

Ang Mong Seng
Cheng Heng Tan

REMUNERATION COMMITTEE
Goh Chee Wee
Chairman

Ang Mong Seng
Cheng Heng Tan

NOMINATING COMMITTEE
Cheng Heng Tan
Chairman

Goh Chee Wee
Ang Mong Seng
Hoon Tai Meng

SHARE REGISTRAR
Boardroom Corporate & Advisory Services Pte Ltd
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623
Tel: 65365355
Fax: 65361360

REGISTERED OFFICE
69 Ubi Crescent #06-01
CES Building
Singapore 408561
Tel: 68480848
Fax: 68480838
enquiry@chipengseng.com.sg
www.chipengseng.com.sg

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

AUDIT-PARTNER-IN CHARGE
Low Yen Mei
Since financial year ended 31 December 2010

COMPANY SECRETARIES
Abdul Jabbar Bin Karam Din, LLB (Hons)
Loh Lee Eng, ACIS

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

Corporate Governance Report

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

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

BOARD MATTERS

Board's Conduct of its Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of the company. The Board works with 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 set strategic 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 and interact regularly with the key management to review management performance and discuss financial and operational matters. Every Director is expected, in the course of carrying out his duties, to act in good faith and to consider at all times the interest of the Company.

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

Corporate Governance Report (cont'd)

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

	Board	Board Committee: Audit	Board Committee: Remuneration	Board Committee: 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	4	–	–	–
Hoon Tai Meng@	4	2	2	1
Goh Chee Wee	4	4	2	1
Cheng Heng Tan*	2	2	–	–
Ang Mong Seng	4	4	2	1

@ *Re-designated as an Executive Director on 1 July 2011.*
* *Appointed as an Independent Director on 20 July 2011.*

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

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

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

Board Composition and Guidance

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

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

Corporate Governance Report (cont'd)

Directors' qualifications, business experience and other appointments are found at the Board of Directors section of the Annual Report.

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

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

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

@ *Re-designated as an Executive Director on 1 July 2011. Ceased as Chairman of the Nominating Committee and as a member of the Audit Committee and the Remuneration Committee on 1 July 2011. Mr Hoon Tai Meng remains as a member of the Nominating Committee.*

* *Appointed as an Independent Director on 20 July 2011.*

Chairman and Chief Executive Officer

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

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

The Executive Chairman takes a leading role in the Group's drive to achieve and maintain a high standard of corporate governance with the full support of the Directors, Company Secretary and Management. He also ensures that Board matters are effectively organised to enable Directors to receive timely and clear information in order to make sound decisions, promote constructive relations amongst Directors and the Management and ensure effective communication with the shareholders.

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

Corporate Governance Report (cont'd)

Board Membership

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

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

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

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

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

Name of Directors	Position	Date of First Appointment	Date of Last Re-election	Due for re-election at next AGM
Lim Tiam Seng	Executive Chairman	23 October 1998	27 April 2011	Retirement (Section 153 of the Companies Act, Cap. 50)
Lim Tiang Chuan	Executive Deputy Chairman	23 October 1998	26 April 2010	N.A
Chia Lee Meng Raymond	Group Chief Executive Officer	2 September 1999	27 April 2011	N.A
Dawn Lim Sock Kiang	Executive Director	1 December 2009	26 April 2010	N.A
Hoon Tai Meng	Executive Director	2 November 1999	27 April 2009	Retirement by rotation (Article 115)
Goh Chee Wee	Independent Director	2 November 1999	27 April 2011	N.A
Cheng Heng Tan	Independent Director	20 July 2011	N.A	Retirement (Article 119)
Ang Mong Seng	Independent Director	19 March 2003	26 April 2010	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 Hoon Tai Meng 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 ("AGM") (having regard to their performance and contribution);
d. Recommendation for the re-election of Mr Cheng Heng Tan pursuant to Article 119 of the Company's Article 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.

Corporate Governance Report (cont'd)

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 the Board of Directors section of the Annual Report.

Board Performance

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

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

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

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

Access to Information

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

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

Directors have separate and independent access to the Chairman, Group CEO, Executive Directors, 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, Cap. 50 and the Listing Manual of the

Corporate Governance Report (cont'd)

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.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

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

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

During the year, the RC has met twice 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.

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' 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.

Corporate Governance Report (cont'd)

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.

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.

The level and mix of remuneration of Directors of the Company and the remuneration of the Group's top seven Key Executives (who are not Directors) for the year ended 31 December 2011 are as follows:

a. Directors

Remuneration Bands and Name of Directors	Base[1] Salary	Variable[2] Payment	Other[3] Benefits	Fees[4]
Above $1,000,000				
Lim Tiam Seng	11%	88%	1%	–
Lim Tiang Chuan	16%	84%	–	–
Chia Lee Meng Raymond	11%	89%	–	–
$800,000 to $999,999				
Hoon Tai Meng	31%	59%	1%	9%
$600,000 to $799,999				
Dawn Lim Sock Kiang	37%	60%	3%	–
$200,000 to $599,999				
None				
Below $200,000				
Goh Chee Wee	–	–	–	100%
Cheng Heng Tan	–	–	–	100%
Ang Mong Seng	–	–	–	100%

Corporate Governance Report (cont'd)

b. Top Seven Key Executives

Remuneration Bands and Name of Key Executives	Base[1] Salary	Variable[2] Payment	Other[3] Benefits	Fees[4]
Above $1,000,000				
Yeo Siang Thong	27%	72%	1%	–
$400,000 to $999,999				
None				
$200,000 to $399,999				
Lim Ling Kwee	65%	18%	17%	–
Lim Tian Back	65%	22%	13%	–
Lim Tian Moh	65%	23%	12%	–
Koh Chin Hah	68%	26%	6%	–
Lim Beng Chuan	79%	18%	3%	–
Below $200,000				
Lim Kok Howe Ivan	67%	27%	6%	–

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

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

Lim Tian Back and Lim Tian Moh are siblings of Executive Chairman and Executive Deputy Chairman; Lim Ling Kwee is son of Executive Chairman, nephew of Executive Deputy Chairman, brother-in-law of Group CEO and brother of Executive Director, Dawn Lim Sock Kiang; Lim Sock Joo is daughter of Executive Chairman, niece of Executive Deputy Chairman, wife of Group CEO and sister of Executive Director, Dawn Lim Sock Kiang; Ha Vu Hoang is son-in-law of Executive Chairman, brother-in-law of Group CEO, spouse of Executive Director, Dawn Lim Sock Kiang. Their remuneration exceeded $150,000 during the year ended 31 December 2011.

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.

Corporate Governance Report (cont'd)

ACCOUNTABILITY AND AUDIT

Accountability

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

The Board through its announcements of quarterly, 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.

Audit Committee

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

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

The AC has explicit authority to investigate any matter within its terms of reference, full access to and co-operation by the Management and full discretion to invite any Directors to attend its 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;
b. The results of the external auditors' examination and their evaluation of the Group's internal control system;
c. The nature and extent of non-audit services provided by the external auditors - the AC was satisfied that the nature and extend of such services would not affect the independence of the external auditors;
d. The cost effectiveness and the independence and objectivity of the external auditors;
e. The recommendation for re-appointment of Messrs Ernst & Young LLP as auditors of the Company for the ensuing year;
f. The reports and findings from the internal auditors in respect of the adequacy of the Company's internal controls in management, business and service systems and practices; 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 CEO.

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

Corporate Governance Report (cont'd)

Internal Controls

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

The Board is responsible for ensuring that Management maintains a sound system of internal controls to safeguard shareholders' investment and the assets of the Group. The Board and the AC, with the assistance of internal auditors, have reviewed the adequacy of the Group's internal controls, including financial, operational and compliance risks.

Based on the review conducted, the Board with the concurrence of the AC, is of the opinion that, in the absence of any evidence to the contrary, the system of internal controls in place is adequate in meeting the current scope of the Group's business operations (*Listing Rule 1207.10)*.

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

Internal Audit

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

The Group's internal audit function for the financial year ended 31 December 2011 was outsourced to a professional firm that reports directly to the Chairman of the AC, and administratively to an Executive Director. During the year, the internal auditors carried out 2 visits 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 for the Management's action areas of weakness. Their reports that include findings and recommendations were tabled to the AC and Management.

In January 2012, the Company set up an internal audit department ("IA"). The IA functions include assisting the AC and the Board in the evaluation of the internal controls, financial and accounting matters, compliance, business and financial risk management. The IA reports directly to the Chairman of the AC on audit matters and an Executive Director on administrative matters.

The AC reviews and approves the annual internal audit plan and resources. The AC will review the IA reports on a quarterly basis and their activities are also reviewed by the AC annually so as to ensure the adequacy of the IA function.

Corporate Governance Report (cont'd)

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

INTERESTED PERSON TRANSACTIONS

The Company has adopted an internal policy in respect of transactions with interested persons and requires all such transactions to be at arm's length and be reviewed by the Audit Committee. The following was material interested party transaction for the financial year ended 31 December 2011.

Name of interested person	:	Chia Lee Meng Raymond and Lim Sock Joo
Value of transaction	:	S$700,000
Nature of transaction	:	Sale of an unit in an Australian development project (33M)

Corporate Governance Report (cont'd)

MATERIAL CONTRACTS

Except as disclosed in Note 31 (Related Party Transactions) of the Notes to the Financial Statements, there were no other material contracts of the Company or its subsidiaries involving the interests of the Group CEO, each director or controlling shareholder, either still subsisting as at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year.

DEALINGS IN COMPANY'S SECURITIES

The Company has 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(19) on Dealings in Securities.

RISK MANAGEMENT

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

FINANCIAL STATEMENTS

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 2011.

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	
Hoon Tai Meng	
Goh Chee Wee	
Ang Mong Seng	
Cheng Heng Tan	

In accordance with Article 115 of the Company's Articles of Association, Hoon Tai Meng and Ang Mong Seng retire by rotation and, being eligible, offer themselves for re-election.

In accordance with Article 119 of the Company's Articles of Association, Cheng Heng Tan retires and, being eligible, offers himself for re-election.

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

Arrangements to enable directors to acquire shares and debentures

Except as disclosed in this report, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose object is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors' interests in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Cap. 50, an interest in shares of the Company, as stated below:

	Direct interest			Deemed interest		
Name of Directors	**At 1.1.2011**	**At 31.12.2011**	**At 21.01.2012**	**At 1.1.2011**	**At 31.12.2011**	**At 21.01.2012**
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	6,125,000	6,125,000	14,702,000	14,702,000	14,702,000
Dawn Lim Sock Kiang	15,377,000	15,377,000	15,377,000	–	30,000	30,000
Hoon Tai Meng	1,062,500	1,125,500	1,125,500	–	–	–
Goh Chee Wee	1,062,500	1,135,500	1,135,500	–	–	–
Ang Mong Seng	100,000	146,000	146,000	–	–	–

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 interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

Directors' contractual benefits

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

Chip Eng Seng Performance Share Plan

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

Objectives

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

Eligibility

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

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

(ii) Non-executive directors of the Company;

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

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

Directors' Report (cont'd)

Chip Eng Seng Performance Share Plan (cont'd)

Awards

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

Size of CES Share Plan

The total number of shares available to eligible Controlling Shareholders and their Associates under the CES Share Plan shall not exceed twenty-five per cent (25%) of the shares in respect of which the Company may grant under the CES Share Plan. In addition, the total number of shares available to each Controlling Shareholder or his Associate shall not exceed ten per cent (10%) of the number of shares in respect of which the Company may grant under the CES Share Plan.

The total number of shares to be awarded pursuant to the CES Share Plan when added to the number of shares issued and issuable under such other share-based incentive schemes of the Company, shall not exceed fifteen per cent (15%) of the total number of shares of the Company on the day preceding the relevant Award Date.

Grant of Share Plan

The grant of Awards under the CES Share Plan may be made from time to time during the year when the CES Share Plan is in force.

Acceptance of Share Plan

On 28 December 2010, 2,678,000 performance shares were granted conditionally under the CES Share Plan.

The details of the shares awarded under the CES Share Plan since its commencement, are as follows:

Date of grant	At date of grant	Vested	Cancelled	Balance at 31 December 2011
28 December 2010	2,678,000	2,623,000	55,000	–

The details of restricted shares granted to participants (who are Directors of the Company, Controlling Shareholders and their Associates) of the Company are as follows:

Name of participant	Conditional awards granted as at 1.1.2011	Awards released during the financial year 2011	Aggregate awards not released at end of the financial year 2011
Chia Lee Meng Raymond	500,000	500,000	–
Goh Chee Wee	73,000	73,000	–
Hoon Tai Meng	63,000	63,000	–
Ang Mong Seng	46,000	46,000	–

Directors' Report (cont'd)

Audit Committee

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

- Reviews the audit plans of the internal and external auditors of the Company, and reviews the internal auditors' evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Company's Management to the external and internal auditors
- Reviews the quarterly and annual financial statements and the auditors' report on the annual financial statements of the Company before their submission to the board of directors
- Reviews effectiveness of the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditors
- Meets with the external auditors, other committees and Management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC
- Reviews legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators
- Reviews the cost effectiveness, 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	Lim Tiang Chuan Executive Deputy Chairman

Singapore
13 March 2012

Statement by Directors

We, Lim Tiam Seng and Lim Tiang Chuan, 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 2011 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

Lim Tiang Chuan
Executive Deputy Chairman

Singapore
13 March 2012

Independent Auditors' Report

For the financial year ended 31 December 2011

To the members of Chip Eng Seng Corporation Ltd

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Chip Eng Seng Corporation Ltd (the Company) and its subsidiaries (collectively, the Group) set out on pages 41 to 129, which comprise the balance sheets of the Group and the Company as at 31 December 2011, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

For the financial year ended 31 December 2011

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2011 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

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

Ernst & Young LLP
Public Accountants and
Certified Public Accountants
Singapore

13 March 2012

Consolidated Income Statement

For the financial year ended 31 December 2011

	Note	2011 $'000	2010 $'000 (Restated)
Revenue	4	359,980	477,030
Cost of sales		(220,245)	(418,411)
Gross profit		139,735	58,619
Other items of income			
Interest income	5	1,770	4,628
Dividend income from investment securities		191	136
Other income	6	8,275	3,138
Other items of expense			
Marketing and distribution		(12,730)	(13,977)
Administrative expenses		(18,864)	(17,546)
Finance costs	7	(214)	(1,535)
Share of results of associates		23,785	143,616
Profit before tax	8	141,948	177,079
Income tax expense	9	(18,253)	(2,822)
Profit for the year		123,695	174,257
Attributable to:			
Owners of the Company		123,695	174,256
Non-controlling interests		–	1
		123,695	174,257
Earnings per share attributable to owners of the Company (cents per share)			
Basic	10	18.68	26.42
Diluted	10	18.68	26.31

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 2011

	2011 $'000	**2010 $'000 (Restated)**
Profit for the year	123,695	174,257
Other comprehensive income:		
Net (loss)/gain on fair value changes of available-for-sale financial assets	(975)	310
Foreign currency translation	399	(449)
Other comprehensive loss for the year, net of tax	(576)	(139)
Total comprehensive income for the year	123,119	174,118
Attributable to:		
Owners of the Company	123,119	174,117
Non-controlling interests	–	1
Total comprehensive income for the year	123,119	174,118

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

Balance Sheets

As at 31 December 2011

		Group		
	Note	**2011**	**2010**	**2009**
		$'000	**$'000**	**$'000**
			(Restated)	(Restated)
Non-current assets				
Property, plant and equipment	11	11,702	7,031	2,705
Investment properties	12	139,436	96,513	30,206
Intangible assets	13	66	79	92
Investment in associates	15	12,777	110,046	77,914
Other receivables	16	51,508	43,317	34,758
Investments securities	17	1,798	2,740	2,337
Current assets				
Gross amount due from customers for contract work-in-progress	18	2,723	585	1,292
Completed properties held for sale	19	1,452	2,791	3,494
Development properties	20	458,444	318,753	118,644
Prepayments and deposits	21	18,838	43,219	176
Trade and other receivables	16	136,020	84,286	151,938
Cash and short-term deposits	22	155,774	133,570	76,104
		773,251	583,204	351,648
Deduct: Current liabilities				
Loans and borrowings	23	62,519	115,600	24,500
Gross amount due to customers for contract work-in-progress	18	5,731	105,980	76,992
Provisions	24	1,508	634	633
Trade and other payables	25	95,556	99,343	120,672
Other liabilities	26	32,133	20,141	16,803
Derivatives		–	–	20
Income tax payable		20,466	5,860	4,782
		217,913	347,558	244,402
Net current assets		555,338	235,646	107,246

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

Balance Sheets (cont'd)

As at 31 December 2011

		Group		
	Note	**2011 $'000**	**2010 $'000 (Restated)**	**2009 $'000 (Restated)**
Deduct: Non-current liabilities				
Loans and borrowings	23	347,000	169,265	89,048
Deferred tax liabilities	27	8,741	5,846	1,131
		355,741	175,111	90,179
Net assets		416,884	320,261	165,079
Equity attributable to owners of the Company				
Share capital	28(a)	79,691	79,691	79,691
Treasury shares	28(b)	(3,244)	(4,826)	(4,826)
Retained earnings		343,495	246,266	91,795
Other reserves	29	(3,058)	(878)	(1,810)
		416,884	320,253	164,850
Non-controlling interests		–	8	229
Total equity		416,884	320,261	165,079

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

Balance Sheets (cont'd)

As at 31 December 2011

	Note	Company 2011 $'000	Company 2010 $'000
Non-current assets			
Property, plant and equipment	11	1,179	550
Intangible assets	13	3	3
Investment in subsidiaries	14	48,002	33,302
Investment in associates	15	650	650
Other receivables	16	82,719	45,101
Investments securities	17	1,669	2,559
Current assets			
Prepayments and deposits	21	5	7
Trade and other receivables	16	22,236	67,750
Cash and short-term deposits	22	1,244	3,555
		23,485	71,312
Deduct: Current liabilities			
Trade and other payables	25	895	10,429
Other liabilities	26	13,675	12,130
Income tax payable		538	543
		15,108	23,102
Net current assets		8,377	48,210
Deduct: Non-current liability			
Deferred tax liability	27	5	5
Net assets		142,594	130,370
Equity attributable to owners of the Company			
Share capital	28(a)	79,691	79,691
Treasury shares	28(b)	(3,244)	(4,826)
Retained earnings		70,232	57,011
Other reserves	29	(4,085)	(1,506)
Total equity		142,594	130,370

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 2011

2011 Group	Equity, total $'000	Equity attributable to owners of the Company, total $'000	Share capital (Note 28a) $'000	Treasury shares (Note 28b) $'000	Retained earnings $'000	Other reserves, total (Note 29) $'000	Non-controlling interests $'000
		Attributable to owners of the Company					
Opening balance at 1 January 2011	348,296	348,288	79,691	(4,826)	274,301	(878)	8
Effect of adopting INT FRS 115 (Note 2.2)	(28,035)	(28,035)	–	–	(28,035)	–	–
Restated opening balance at 1 January 2011	320,261	320,253	79,691	(4,826)	246,266	(878)	8
Profit for the year	123,695	123,695	–	–	123,695	–	–
Other comprehensive income							
Net loss on fair value changes of available-for-sale financial assets	(975)	(975)	–	–	–	(975)	–
Foreign currency translation	399	399	–	–	–	399	–
Other comprehensive loss for the year, net of tax	(576)	(576)	–	–	–	(576)	–
Total comprehensive income for the year	123,119	123,119	–	–	123,695	(576)	–
Contributions by and distributions to owners							
Treasury shares re-issued pursuant to Performance Share Plan	(22)	(22)	–	1,582	–	(1,604)	–
Dividend for 2010 - paid (first and final dividend of 4.00 cents per share, tax exempt, one-tier tax)	(26,466)	(26,466)	–	–	(26,466)	–	–
Realisation of non-controlling interests on liquidation of subsidiary	(8)	–	–	–	–	–	(8)
Total transactions with owners in their capacity as owners	(26,496)	(26,488)	–	1,582	(26,466)	(1,604)	(8)
Closing balance at 31 December 2011	416,884	416,884	79,691	(3,244)	343,495	(3,058)	–

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

Statements of Changes in Equity (cont'd)

For the financial year ended 31 December 2011

2010 Group	Equity, total $'000	Equity attributable to owners of the Company, total $'000	Share capital (Note 28a) $'000	Treasury shares (Note 28b) $'000	Retained earnings $'000	Other reserves, total (Note 29) $'000	Non-controlling interests $'000
		Attributable to owners of the Company					
Opening balance at 1 January 2010	257,682	257,453	79,691	(4,826)	184,398	(1,810)	229
Effect of adopting INT FRS 115 (Note 2.2)	(92,603)	(92,603)	–	–	(92,603)	–	–
Restated opening balance at 1 January 2010	165,079	164,850	79,691	(4,826)	91,795	(1,810)	229
Profit for the year	174,257	174,256	–	–	174,256	–	1
Other comprehensive income							
Net gain on fair value changes of available-for-sale financial assets	310	310	–	–	–	310	–
Foreign currency translation	(449)	(449)	–	–	–	(449)	–
Other comprehensive loss for the year, net of tax	(139)	(139)	–	–	–	(139)	–
Total comprehensive income for the year	174,118	174,117	–	–	174,256	(139)	1
Contributions by and distributions to owners							
Share-based payment	1,071	1,071	–	–	–	1,071	–
Dividend for 2009 - paid (first and final dividend of 3.00 cents per share, tax exempt, one-tier tax)	(19,785)	(19,785)	–	–	(19,785)	–	–
Dividend paid to a non-controlling interest	(222)	–	–	–	–	–	(222)
Total transactions with owners in their capacity as owners	(18,936)	(18,714)	–	–	(19,785)	1,071	(222)
Closing balance at 31 December 2010	320,261	320,253	79,691	(4,826)	246,266	(878)	8

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

Statements of Changes in Equity (cont'd)

For the financial year ended 31 December 2011

2009 Group	Equity, total $'000	Equity attributable to owners of the Company, total $'000	Share capital $'000	Treasury shares $'000	Retained earnings $'000	Other reserves, total $'000	Non-controlling interests $'000
		Attributable to owners of the Company					
Opening balance at 1 January 2009	185,462	185,287	79,691	(4,826)	114,073	(3,651)	175
Effect of adopting INT FRS 115	(67,765)	(67,765)	–	–	(67,765)	–	–
Restated opening balance at 1 January 2009	117,697	117,522	79,691	(4,826)	46,308	(3,651)	175
Profit for the year	50,487	50,433	–	–	50,433	–	54
Other comprehensive income							
Net gain on fair value changes of available-for-sale financial assets	928	928	–	–	–	928	–
Foreign currency translation	913	913	–	–	–	913	–
Other comprehensive income for the year, net of tax	1,841	1,841	–	–	–	1,841	–
Total comprehensive income for the year	52,328	52,274	–	–	50,433	1,841	54
Contributions by and distributions to owners							
Dividend for 2008 - paid (first and final dividend of 0.75 cents per share, tax exempt, one-tier tax)	(4,946)	(4,946)	–	–	(4,946)	–	–
Total transactions with owners in their capacity as owners	(4,946)	(4,946)	–	–	(4,946)	–	–
Closing balance at 31 December 2009	165,079	164,850	79,691	(4,826)	91,795	(1,810)	229

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

Statements of Changes in Equity (cont'd)

For the financial year ended 31 December 2011

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

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

Statements of Changes in Equity (cont'd)

For the financial year ended 31 December 2011

2010 Company	**Total $'000**	**Share capital (Note 28a) $'000**	**Treasury shares (Note 28b) $'000**	**Retained earnings $'000**	**Other reserves (Note 29) $'000**
Opening balance at 1 January 2010	107,690	79,691	(4,826)	35,712	(2,887)
Profit for the year	41,084	–	–	41,084	–
Other comprehensive income					
Net gain on fair value changes of available-for-sale financial assets	310	–	–	–	310
Other comprehensive income for the year, net of tax	310	–	–	–	310
Total comprehensive income for the year	41,394	–	–	41,084	310
Contributions by and distributions to owners					
Share-based payment	1,071	–	–	–	1,071
Dividend for 2009 - paid (first and final dividend of 3.00 cents per share, tax exempt, one-tier tax)	(19,785)	–	–	(19,785)	–
Total transactions with owners in their capacity as owners	(18,714)	–	–	(19,785)	1,071
Closing balance at 31 December 2010	130,370	79,691	(4,826)	57,011	(1,506)

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 2011

	Note	2011 $'000	2010 $'000 (Restated)
Operating activities			
Profit before tax		141,948	177,079
Adjustments for:			
Amortisation of intangible assets	13	13	13
Depreciation of property, plant and equipment	11	1,548	1,134
Interest income		(1,770)	(4,628)
Dividend income from investment securities		(191)	(136)
Finance costs		214	1,535
Net gain on disposal of property, plant and equipment		(428)	(521)
Foreign currency translation adjustment		613	(403)
Net fair value loss/(gain) on investments securities		94	(41)
Reversal of provision for foreseeable losses		–	(15,191)
Share of results of associates		(23,785)	(143,616)
Net fair value gain on investment properties	12	(5,460)	(1,500)
Gain on disposal of an associate		–	(350)
Impairment loss on receivables	16	53	1,911
Write-down of completed property held for sale		169	–
Share-based compensation expense		(22)	1,071
Goodwill written off		51	–
Provision for contingencies		2,500	–
Operating cash flows before changes in working capital		115,547	16,357
Decrease in completed properties		1,170	703
Increase in development properties		(114,593)	(200,109)
Increase in prepayments and deposits		(11,934)	(43,043)
(Increase)/decrease in trade and other receivables		(33,832)	27,136
(Decrease)/increase in gross amount due to customers for contract work-in-progress		(104,014)	44,887
Decrease in trade and other payables		(29,121)	(21,426)
Increase in other liabilities		11,992	3,338
Cash flows used in operations		(164,785)	(172,157)
Interest paid		(870)	(1,457)
Interest received		3,781	12,861
Income taxes (paid)/refund		(753)	2,972
Net cash flows used in operating activities		(162,627)	(157,781)

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

Consolidated Cash Flow Statement (cont'd)

For the financial year ended 31 December 2011

	2011 $'000	2010 $'000 (Restated)
Investing activities		
Purchase of property, plant and equipment	(6,506)	(5,693)
Proceeds from disposal of property, plant and equipment	594	718
Investment in associates	(400)	(400)
Dividend income from associates and investment securities	124,624	122,760
Repayment from advances to associates	4,749	10,936
Proceeds from liquidation/disposal of an associate	1,012	423
Net cash inflow on acquisition of subsidiary (Note 14)	33	–
Net cash flows generated from investing activities	124,106	128,744
Financing activities		
Repayment of loans and borrowings	(115,600)	(15,948)
Proceeds from loans and borrowings	240,254	187,265
Dividends paid on ordinary shares	(26,466)	(19,785)
Dividend paid to a non-controlling interest	–	(222)
Additions to investment properties	(37,463)	(64,807)
Net cash flows from financing activities	60,725	86,503
Net increase in cash and cash equivalents	22,204	57,466
Cash and cash equivalents at beginning of the year	133,570	76,104
Cash and cash equivalents at end of the year (Note 22)	155,774	133,570

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 2011

1. Corporate information

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

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

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

Details of the subsidiaries and associates as at 31 December 2011 are:

	Name of Company	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2011	2010
	Subsidiary companies				
	Held by the Company				
λ	Chip Eng Seng Contractors (1988) Pte Ltd	Singapore	General building contractor	100	100
λ	CEL Development Pte. Ltd.	Singapore	General building contractor, property developer and property investor	100	100
λ	Evervit Development Pte Ltd	Singapore	Property investor	100	100
λ	CES Engineering & Construction Pte. Ltd.	Singapore	General building contractor	100	100
λ	CES-Precast Pte. Ltd.	Singapore	Manufacturing and trading of precast products	100	100
#	CES-China Holding Pte. Ltd.	Singapore	Dormant	100	100

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2011

1. Corporate information (cont'd)

	Name of Company	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2011	Proportion (%) of ownership interest 2010
	Subsidiary companies (cont'd) *Held by subsidiaries*				
λ	CES-Balmoral Pte. Ltd.	Singapore	Property developer	100	100
	CES-Shanghai Pte. Ltd.	Singapore	In the process of liquidation	100	100
	CES-India Holding Pte. Ltd.	Singapore	Liquidated during the year	–	100
	Austate Pte. Ltd.	Singapore	Liquidated during the year	–	60
*	CES Glenelg Pty Ltd	Australia	Property developer	100	100
λλ	CES-Precast Sdn. Bhd.	Malaysia	Manufacturing and trading of precast products	100	100
λ	CES-Vietnam Holdings Pte. Ltd.	Singapore	Investment holding	100	100
λ	CES Land Pte. Ltd.	Singapore	Property developer	100	100
λ	CES-NB Pte. Ltd.	Singapore	Investment holding	100	100
λ	CES-VH Holdings Pte. Ltd.	Singapore	Investment holding	100	100
λ	CEL-Bedok Pte. Ltd.	Singapore	Property developer	100	100
λ	CES Building and Construction Pte. Ltd.	Singapore	General building engineering services	100	100
λλ	CES (Vietnam) Management Services Co., Ltd.	Vietnam	Project management and consultancy	100	100
λλ	CEL Australia Pty Ltd	Australia	Investment holding	100	100
λλ	242 West Coast Highway Scarborough Pty Ltd	Australia	Property developer	75+	50

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2011

1. Corporate information (cont'd)

	Name of Company	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2011	2010
	Subsidiary companies (cont'd)				
	Held by subsidiaries (cont'd)				
λλ	CES-McKenzie (VIC) Pty Ltd	Australia	Property developer	100	100
λλ	CES-Queen (VIC) Pty Ltd	Australia	Property developer and investment	100	–
λ	CEL-Simei Pte. Ltd.	Singapore	Property developer	100	100
λ	CEL-Fort Pte. Ltd.	Singapore	Property developer	100	100
λ	CEL Pasir Panjang Pte. Ltd.	Singapore	Property investor	100	100
##	CEL-Alexandra Pte. Ltd.	Singapore	Property developer	100	–
	Associated companies				
	Held by the company				
**	Ardille Pte Ltd	Singapore	Investment holding	38	38
	Held by associated companies				
**	ACP Metal Finishing Pte Ltd	Singapore	Provision of custom electro-plating and surface treatment services	38	38
	Held by subsidiaries				
	Bishan EC Pte Ltd	Singapore	Liquidated during the year	–	40
***	AMK Properties Pte. Ltd.	Singapore	Property developer	30	30
***	Riviera Properties Pte. Ltd.	Singapore	Property developer	40	40
λ	Devonshire Development Pte. Ltd.	Singapore	Property developer	40	40
***	PH Properties Pte. Ltd.	Singapore	Property developer	50	50
***	CES-West Coast Pte. Ltd.	Singapore	Property developer	50	50

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2011

1. Corporate information (cont'd)

	Name of Company	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2011	2010
	Associated companies (cont'd)				
	Held by subsidiaries (cont'd)				
λ	Grange Properties Pte. Ltd.	Singapore	Property developer	25	25
λλ	Viet Investment Link Joint Stock Company	Vietnam	Property developer	49	49
#	BCC Investment	Vietnam	Property developer	20	20
***	Punggol Field EC Pte. Ltd.	Singapore	Property developer	40	40
***	Pasir Ris EC Pte. Ltd.	Singapore	Property developer	40	40
λλ	242 West Coast Highway Scarborough Pty Ltd	Australia	Property developer	75+	50
	Quoc Huong Real Estate Joint Stock Company	Vietnam	Deregistered during the year	–	47
λλ	The Ascent Real Estate Investment Co. Ltd	Vietnam	Property developer	49	49

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

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

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2011

2. Summary of significant accounting policies

2.1 *Basis of preparation*

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

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

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

2.2 *Change in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards and Interpretations of FRS (INT FRS) that are effective for annual periods beginning on or after 1 January 2011. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company except for the following:

<u>INT FRS 115 *Agreements for the Construction of Real Estate*</u>

On 1 January 2011, the Group adopted INT FRS 115 *Agreements for the Construction of Real Estate.*

INT FRS 115 clarifies when revenue and related expenses from a sale of real estate unit should be recognised if an agreement between a developer and a buyer is reached before the construction of real estate is completed. INT FRS 115 determines that contracts which do not qualify as construction contracts in accordance with FRS 11 can only be accounted for using the percentage of completion method if the entity continuously transfers to the buyer control and the significant risks and rewards of ownership of the work in progress in its current state as construction progresses.

The Group's previous accounting policy for all pre-completion property sales was to recognise revenue using the percentage of completion method as construction progresses. The Group has considered the application of INT FRS 115 and concluded that certain 'pre-completion' sale contracts were not, in substance, construction contracts, and the legal terms are such that the construction does not represent the continuous transfer of work in progress to the purchaser. Consequently, the completed contract method of revenue recognition has been applied to these contracts.

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2011

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

2.2 *Change in accounting policies (cont'd)*

The change in accounting policy has been applied retrospectively. The effects of adoption on the financial statements are as follows:

	Group		
	As at 31 December 2011 $'000	As at 31 December 2010 $'000 (Restated)	As at 1 January 2010 $'000 (Restated)
Increase/(decrease) in:			
Consolidated balance sheet			
Investment in associates	28,035	(28,035)	(92,603)
Retained earnings	28,035	(28,035)	(92,603)

	2011 $'000	2010 $'000 (Restated)
Increase in:		
Consolidated income statement		
Share of results of associates	28,035	64,568
Profit for the year	28,035	64,568
Basic earnings per share (cents)	4.23	9.79
Diluted earnings per share (cents)	4.23	9.75

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 107 *Disclosures – Transfers of Financial Assets*	1 July 2011
Amendments to FRS 12 *Deferred Tax: Recovery of Underlying Assets*	1 January 2012
Amendments to FRS 1 *Presentation of Items of Other Comprehensive Income*	1 July 2012
Revised FRS 19 *Employee Benefits*	1 January 2013
Revised FRS 27 *Separate Financial Statements*	1 January 2013
Revised FRS 28 *Investments in Associates and Joint Ventures*	1 January 2013
FRS 110 *Consolidated Financial Statements*	1 January 2013
FRS 111 *Joint Arrangements*	1 January 2013
FRS 112 *Disclosure of Interests in Other Entities*	1 January 2013
FRS 113 *Fair Value Measurements*	1 January 2013

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2011

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

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

Except for the Amendments to FRS 12, Amendments to FRS 1, FRS 111, revised FRS 28 and FRS 112, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the Amendments to FRS 12, Amendments to FRS 1, FRS 111, revised FRS 28 and FRS 112 are described below.

Amendments to FRS 12 *Deferred Tax: Recovery of Underlying Assets*

The Amendments to FRS 12 *Deferred Tax: Recovery of Underlying Assets* are effective for annual periods beginning on or after 1 January 2012.

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

The Group provides for deferred tax liabilities for its investment properties on the basis that the carrying amount of the investment properties will be recovered through use. Upon adoption of the Amendments to FRS 12, there is a presumption that the carrying amount of an investment property measured at fair value will be recovered entirely through sale. Accordingly, there will be no deferred tax liability on investment properties in Singapore as there is no capital gains tax in Singapore. The Group expects the adoption of Amendments to FRS 12 to result in a decrease in deferred tax liabilities of the Group and a corresponding increase in retained earnings upon initial application of the amendments.

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

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

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

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2011

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

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

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

FRS 111 and the revised FRS 28 are effective for financial periods beginning on or after 1 January 2013.

FRS 111 classifies joint arrangements either as joint operations or joint ventures. Joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement whereas joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. FRS 111 requires the determination of joint arrangement's classification to be based on the parties' rights and obligations under the arrangement, with the existence of a separate legal vehicle no longer being the key factor. FRS 111 disallows proportionate consolidation and requires joint ventures to be accounted for using the equity method. The revised FRS 28 was amended to describe the application of equity method to investments in joint ventures in addition to associates.

Upon adoption of FRS 111, the Group expects the change to equity accounting for these joint ventures will not affect the Group's financial statements presentation.

FRS 112 *Disclosure of Interests in Other Entities*

FRS 112 is effective for financial periods beginning on or after 1 January 2013.

FRS 112 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. FRS 112 requires an entity to disclose information that helps users of its financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial statements. The Group is currently determining the impact of the disclosure requirements. As this is a disclosure standard, it will have no impact to the financial position and financial performance of the Group when implemented in 2013.

2.4 *Basis of consolidation and business combinations*

(A) Basis of consolidation

Basis of consolidation from 1 January 2010

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2011

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

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

(A) Basis of consolidation (cont'd)

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

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

<u>Basis of consolidation prior to 1 January 2010</u>

Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

– Acquisition of non-controlling interests, prior to 1 January 2010, were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.
– Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further losses were attributed to the Group, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the owners of the Company.
– Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying value of such investments as at 1 January 2010 have not been restated.

(B) Business combinations

<u>Business combinations from 1 January 2010</u>

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

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

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

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2011

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

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

(B) Business combinations (cont'd)

Business combinations from 1 January 2010 (cont'd)

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

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

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

Business combinations prior to 1 January 2010

In comparison to the above mentioned requirements, the following differences applied:

Business combinations are accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2011

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

2.5 *Transactions with non-controlling interests*

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated balance sheet, separately from equity attributable to owners of the Company.

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

2.6 *Foreign currency*

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

(a) **Transactions and balances**

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

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

(b) **Consolidated financial statements**

For consolidated purpose, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

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

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2011

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

2.7 *Property, plant and equipment*

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

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

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2011

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

2.7 *Property, plant and equipment (cont'd)*

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

2.8 *Investment properties*

Investment properties are properties that are either owned by the Group or leased under a finance lease in order to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties. Properties held under operating leases are classified as investment properties when the definition of investment properties is met and they are accounted for as finance leases.

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

Subsequent to initial recognition, investment properties are measured at fair value which reflects market conditions at the end of the reporting period. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

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

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

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2011

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

2.9 *Intangible assets*

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite useful lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

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

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

Club membership

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

2.10 *Impairment of non-financial assets*

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

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2011

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

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

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

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.11 *Subsidiaries*

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

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

2.12 *Associates*

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

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

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

The Group's share of the profit or loss of its associates is shown on the face of profit or loss after tax and non-controlling interests in the subsidiaries of associates.

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2011

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

2.12 *Associates (cont'd)*

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

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

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

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

2.13 *Joint venture*

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

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

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

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

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2011

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

2.14 *Financial assets*

Initial recognition and measurement

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

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

Subsequent measurement

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

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

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

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

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

(b) ***Loans and receivables***

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

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2011

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

2.14 *Financial assets (cont'd)*

Subsequent measurement (cont'd)

(c) ***Held-to-maturity investments***

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

(d) ***Available-for-sale financial assets***

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

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

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

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

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)

For the financial year ended 31 December 2011

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

2.15 *Impairment of financial assets*

The Group assesses at each end of the reporting period whether there is any objective evidence that a financial asset is impaired.

(a) **Financial assets carried at amortised cost**

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

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

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

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

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

(b) **Financial assets carried at cost**

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

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2011

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

2.15 *Impairment of financial assets (cont'd)*

(c) Available-for-sale financial assets

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

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

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

2.16 *Cash and cash equivalents*

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

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2011

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

2.17 *Construction contracts*

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

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

When the outcome of a construction contract cannot be estimated reliably (principally during early stages of a contract), contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable and contract costs are recognised as expense in the period in which they are incurred.

An expected loss on the construction contract is recognised as an expense immediately when it is probable that total contract costs will exceed total contract revenue.

In applying the percentage of completion method, revenue recognised corresponds to the total contract revenue (as defined below) multiplied by the actual completion rate based on the completion of a physical proportion of the contract work.

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

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

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

Assets covered by a single contracts are treated separately when:

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

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

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

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2011

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

2.18 *Development properties*

Development properties are properties acquired or being constructed for sale in the ordinary course of business, rather than to be held for the Group's own use, rental or capital appreciation.

Development properties are held as inventories and are measured at the lower of cost and net realisable value.

The costs of development properties include:

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

Non-refundable commissions paid to sales or marketing agents on the sale of real estate units are expensed when paid.

Net realisable value of development properties is the estimated selling price in the ordinary course of the business, based on market prices at the end of the reporting period and discounted for the time value of money if material, less the estimated costs of completion and the estimated costs necessary to make the sale.

The costs of development properties recognised in profit or loss on disposal are determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

2.19 *Provisions*

General

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

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

Warranty provisions

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

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2011

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

2.20 *Financial liabilities*

Initial recognition and measurement

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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

Other financial liabilities

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

Derecognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2011

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

2.21 *Financial guarantee*

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

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

2.22 *Borrowing costs*

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

2.23 *Employee benefits*

(a) **Defined contribution plans**

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

(b) **Employee leave entitlement**

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

(c) **Chip Eng Seng Performance share plan (“CES Share Plan”)**

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

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

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2011

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

2.23 *Employee benefits (cont'd)*

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

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

2.24 *Leases*

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

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

(a) *As lessee*

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

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

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

(b) *As lessor*

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

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2011

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

2.25 *Revenue*

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

(a) Construction revenue

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

(b) Sale of completed development property

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

(c) Sale of development property under construction

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

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

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

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

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

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

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2011

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

2.25 ***Revenue (cont'd)***

(c) Sale of development property under construction (cont'd)

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

(d) Interest income

Interest income is recognised using the effective interest method.

(e) Dividend income

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

(f) Rental income

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

2.26 ***Taxes***

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

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

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

(b) ***Deferred tax***

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

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

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

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

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2011

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

2.26 *Taxes*

(b) *Deferred tax (cont'd)*

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

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

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

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

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

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

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

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

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2011

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

2.26 *Taxes (cont'd)*

(c) ***Sales tax***

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

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

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

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

2.27 *Segment reporting*

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

2.28 *Share capital and share issuance expenses*

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

2.29 *Treasury shares*

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

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

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

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2011

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

2.30 *Contingencies*

A contingent liability is:

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

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

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

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

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

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

2.31 *Related parties*

A related party is defined as follows:

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

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

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

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

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2011

3. Significant accounting judgements and estimates

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

3.1 *Judgements made in applying accounting policies*

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

(a) **Impairment of available-for-sale investments**

The Group records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost. For the financial year ended 31 December 2011, 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.

(d) **Classification of property**

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

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

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

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2011

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

3.2 *Key sources of estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, 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) **Impairment of loans and receivables**

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

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

(b) **Construction contracts**

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

(c) **Revaluation of investment properties**

The Group carries its investment properties at fair value, with changes in fair values being recognised in profit or loss. The Group engaged independent valuation specialists to determine fair value as at 31 December 2011.

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

The determination of the fair value of the investment properties requires the use of estimates such as future cash flows from assets (such as lettings, tenants' profiles, future revenue streams, capital values of fixtures and fittings, plant and machinery, any environmental matters and the overall repair and condition of the property) and discount rates applicable to those assets. These estimates are based on local market conditions existing at the end of each reporting date.

The key assumptions used to determine the fair value of the investment properties are further explained in Note 12.

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2011

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

3.2 *Key sources of estimation uncertainty (cont'd)*

(d) Revenue recognition on development property under construction

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

4. Revenue

	Group	
	2011	**2010**
	$'000	**$'000**
Construction revenue	205,866	305,150
Sale of development properties	152,000	169,727
Rental income from investment properties (Note 12)	1,939	1,562
Management fees	175	591
	359,980	477,030

5. Interest income

	Group	
	2011	**2010**
	$'000	**$'000**
Interest income from loan and receivables	1,770	4,628

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2011

6. Other income

	Group	
	2011	**2010**
	$'000	**$'000**
Net gain from fair value adjustment of investment properties (Note 12)	5,460	1,500
Net gain on disposal of property, plant and equipment	428	521
Net fair value gain on investment securities	–	41
Deposits forfeited from buyers	120	73
Management fee received from an associate	–	17
Grant income from jobs credit scheme	–	131
Net gain on disposal of an associate	–	350
Net foreign exchange gain	1,756	–
Others	511	505
	8,275	3,138

During the financial year ended 31 December 2009, the Singapore Finance Minister announced the introduction of a Jobs Credit Scheme (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 Government extended the Scheme with another two payments at stepped-down rates of 6% and 3% in March and June 2010 respectively. During the financial year ended 31 December 2010, the Group received grant income of $131,000 under the Scheme.

7. Finance costs

	Group	
	2011	**2010**
	$'000	**$'000**
Interest expense on bank loans and borrowings	10,374	5,167
Less: Interest expense capitalised in		
- Development properties (Note 20)	(9,379)	(3,471)
- Investment properties (Note 12)	(781)	(161)
Total finance costs	214	1,535

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2011

8. Profit before tax

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

	Group	
	2011 $'000	2010 $'000
Depreciation of property, plant and equipment (Note 11)	1,548	1,134
Amortisation of intangible assets (Note 13)	13	13
Reversal of provision for foreseeable losses	–	(15,191)
Net foreign exchange loss	–	356
Employee benefits expense (Note 30)	41,545	39,916
Operating lease expense (Note 32(b))	465	738
Impairment loss on receivables (Note 16)	53	1,911
Net fair value loss on investment securities	94	–
Write-down of completed property held for sale	169	–
Goodwill written off	51	–
Provision for contingencies	2,500	–
Direct operating expenses arising from investment properties (Note 12)	515	420
Audit fees:		
- Auditors of the Company	193	189
- Other auditors	97	54
Non-audit fees:		
- Auditors of the Company	20	23
- Other auditors	17	24
Total audit and non-audit fees	327	290

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2011

9. Income tax expense

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2011 and 2010 are:

	Group	
	2011	**2010**
	$'000	**$'000**
Consolidated income statement:		
Current income tax		
- current income taxation	21,623	6,605
- overprovision in respect of previous years	(3,789)	(4,131)
	17,834	2,474
Deferred income tax		
- origination and reversal of temporary differences	419	348
Income tax expense recognised in profit or loss	18,253	2,822

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 2011 and 2010 is as follows:

	Group	
	2011	**2010**
	$'000	**$'000**
Accounting profit before tax	141,948	177,079
Tax at the domestic rates applicable to profits in the countries where the Group operates	20,150	33,620
Adjustments:		
Non-deductible expenses	740	1,443
Income not subject to taxation	(1,271)	(3,038)
Deferred tax assets not recognised	2,855	4,559
Effect of partial tax exemption and tax relief	(139)	(352)
Overprovision in respect of previous years	(3,789)	(4,131)
Share of results of associates	(620)	(29,277)
Others	327	(2)
Income tax expense recognised in profit or loss	18,253	2,822

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

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2011

10. Earnings per share

The basic and diluted earnings per share are calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of ordinary shares for basic earnings per share computation and weighted average number of ordinary shares for diluted earnings per share computation respectively.

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

	Group	
	2011	**2010**
	'000	**'000**
Profit for the year, net of tax, attributable to owners of the Company used in the computation of basic earnings per share	$123,695	$174,256
Weighted average number of ordinary shares for basic earnings per share computation	662,138	659,515
Effects of dilution		
- Performance shares	–	2,678
Weighted average number of ordinary shares for diluted earnings per share computation	662,138	662,193

During the financial year, the Company transferred 2,623,000 (2010: Nil) treasury shares to its employees pursuant to the Chip Eng Seng Performance Share Plan. There have been no other transactions involving ordinary shares or treasury shares since the reporting date and before the completion of these financial statements.

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2011

11. Property, plant and equipment

Group	Freehold land $'000	Buildings $'000	Container office, building and construction equipment $'000	Motor vehicles $'000	Computer and office equipment $'000	Furniture, fixture and fittings $'000	Total $'000
Cost							
At 1 January 2010	–	268	5,404	2,685	1,015	1,348	10,720
Additions	3,399	–	1,622	445	226	1	5,693
Disposals	–	–	(1,482)	(553)	(73)	(16)	(2,124)
Exchange differences	(29)	–	(13)	2	5	(1)	(36)
At 31 December 2010 and 1 January 2011	3,370	268	5,531	2,579	1,173	1,332	14,253
Additions	–	–	4,332	2,001	140	33	6,506
Disposals	–	–	(563)	(635)	(16)	–	(1,214)
Written off	–	–	(462)	–	(12)	–	(474)
Exchange differences	(79)	–	(42)	–	–	–	(121)
At 31 December 2011	3,291	268	8,796	3,945	1,285	1,365	18,950
Accumulated depreciation							
At 1 January 2010	–	268	4,949	1,284	701	813	8,015
Depreciation charge for the year	–	–	221	494	230	189	1,134
Disposals	–	–	(1,430)	(419)	(72)	(6)	(1,927)
At 31 December 2010 and 1 January 2011	–	268	3,740	1,359	859	996	7,222
Depreciation charge for the year	–	–	641	557	165	185	1,548
Disposals	–	–	(550)	(482)	(16)	–	(1,048)
Written off	–	–	(461)	–	(13)	–	(474)
At 31 December 2011	–	268	3,370	1,434	995	1,181	7,248
Net carrying amount							
At 31 December 2010	3,370	–	1,791	1,220	314	336	7,031
At 31 December 2011	3,291	–	5,426	2,511	290	184	11,702

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2011

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 2010	826	122	461	1,409
Additions	315	5	1	321
Disposals	(237)	–	–	(237)
At 31 December 2010 and 1 January 2011	904	127	462	1,493
Additions	896	11	9	916
Disposals	(316)	(1)	–	(317)
Written off	–	(2)	–	(2)
At 31 December 2011	1,484	135	471	2,090
Accumulated depreciation				
At 1 January 2010	391	114	439	944
Depreciation charge for the year	174	6	9	189
Disposals	(190)	–	–	(190)
At 31 December 2010 and 1 January 2011	375	120	448	943
Depreciation charge for the year	273	6	8	287
Disposals	(316)	(1)	–	(317)
Written off	–	(2)	–	(2)
At 31 December 2011	332	123	456	911
Net carrying amount				
At 31 December 2010	529	7	14	550
At 31 December 2011	1,152	12	15	1,179

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2011

12. Investment properties

	Group	
	2011	2010
	$'000	$'000
At 1 January	96,513	30,206
Net gains from fair value adjustments recognised in profit or loss	5,460	1,500
Additions	37,463	64,807
At 31 December	139,436	96,513
Borrowing costs capitalised during the year	781	161

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

Description and location	Tenure	Existing Use
2 adjoining units of 2-storey pre-war shophouses with an attic at 6, 6A, 6B Perak Road, Singapore	99 years from 12 October 1995 (83 years remaining)	Shops and offices
2 adjoining units of 3-storey shophouses at 86, 86A, 86B Tanjong Pagar Road, Singapore	99 years from 27 September 1988 (76 years remaining)	Shops and offices
A part 2/part 4-storey commercial building comprising an eating house and lock-up shop on the 1st storey and offices on the upper storey at 161 Geylang Road, Singapore	99 years from 4 May 1993 (81 years remaining)	Shops and offices
Retained units in a 6-storey light industrial building with a basement carpark at 69 Ubi Crescent, Singapore	60 years from 5 July 1997 (46 years remaining)	Light industrial building
3 adjoining units of 2-1/2 storey shophouses with 4-storey rear extension comprising a restaurant on the 1st storey and a 27-room boarding house on the upper storey at 115 Geylang Road, Singapore	Freehold	Boarding hotel
4-storey industrial building with a basement carpark at 98 & 100 Pasir Panjang Road, Singapore	Freehold	Light industrial building
14-level commercial CBD building comprising of offices, retail and basement parking at 150 Queen Street, Melbourne, VIC	Freehold	Shops, offices and carpark

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2011

12. Investment properties (cont'd)

Borrowing costs capitalised during the year were from loans borrowed specifically for the investment properties. Interest rate for borrowing costs capitalised during the year range from 1.56% to 1.78% (2010: 1.71%).

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

Properties pledged as securities

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

Valuation of investment properties

Investment properties amounting to $33,844,000 are stated at fair value, which has been determined based on desktop valuations performed in January 2012. The valuations were performed by Colliers International Consultancy & Valuation (Singapore) Pte Ltd, an independent valuer with a recognised and relevant professional qualification and with recent experience in the location and category of the properties being valued. The desktop valuations are based on direct comparison method/investment method.

No valuation was done for the following investment properties amounting to $105,592,000:

(a) its shophouses at Perak Road as the Group has entered into an option to sell the property. The selling price is above the carrying value as at 31 December 2011;

(b) its investment property at Pasir Panjang as the Group will be re-developing the Light Industrial building in 2012; and

(c) its newly acquired investment property at Queen Street, Melbourne in October 2011.

The directors are of the view that the carrying value of the above three properties are approximate to market value.

As disclosed in Note 4, the property rental income earned by the Group for the year ended 31 December 2011 from its investment properties, which are leased out under operating leases, amounted to $1,939,000 (2010: $1,562,000). Direct operating expenses (including repairs and maintenance, property tax, etc.) arising on the rental-earning investment properties amounted to $515,000 (2010: $420,000).

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2011

13. Intangible assets

Group	**Club membership $'000**
Cost	
At 1 January and 31 December 2010 and 2011	129
Accumulated amortisation	
At 1 January 2010	37
Amortisation for the year	13
At 31 December 2010 and 1 January 2011	50
Amortisation for the year	13
At 31 December 2011	63
Net carrying amount	
At 31 December 2010	79
At 31 December 2011	66

Company	
Cost and net carrying amount	
At 1 January and 31 December 2010 and 2011	3

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

14. Investment in subsidiaries

	Company	
	2011 $'000	**2010 $'000**
Shares, at cost	48,302	33,602
Impairment losses	(300)	(300)
	48,002	33,302

Details regarding subsidiaries are set out in Note 1.

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

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2011

14. Investment in subsidiaries (cont'd)

Acquisition of subsidiary

On 25 January 2011 (the "acquisition date"), the Group's subsidiary company, CEL Australia Pty Ltd ("CEL Australia") acquired an additional 25% equity interest in its 50% owned associate, 242 West Coast Highway Scarborough Pty Ltd ("242 West Coast"), a property developer in Australia. On 18 October 2011, the CEL Group entered into a deed of settlement with the minority shareholder, to acquire the remaining 25% shareholding in 242 West Coast. However, as at year end, the acquisition has not yet been completed.

The Group has acquired 242 West Coast in order to strengthen its presence as a property developer in Australia.

The Group has elected to measure the non-controlling interest at the non-controlling interest's proportionate share of 242 West Coast's net identifiable assets.

The fair value of the identifiable assets and liabilities of 242 West Coast as at the acquisition date were:

	Fair value recognition on acquisition $'000
Property development	25,097
Cash and cash equivalents	33
Trade payable	(25,534)
Total identifiable net liabilities at fair value	(404)
Non-controlling interest	100
Share of loss recognised in prior year	253
Goodwill arising on consolidation	51
Total consideration	–
Less: Cash acquired	(33)
Net cash inflow on acquisition	(33)

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2011

15. Investment in associates

	Group			Company	
	2011	2010	2009	2011	2010
	$'000	$'000	$'000	$'000	$'000
Shares, at cost	7,981	7,981	7,551	650	650
Share of post-acquisition reserves	4,796	102,065	70,363	–	–
	12,777	110,046	77,914	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:

	2011	2010	2009
	$'000	$'000	$'000
Assets and liabilities:			
Total assets	480,070	862,000	986,960
Total liabilities	440,171	603,345	793,871
Results:			
Revenue	415,378	948,272	278,304
Profit for the year	108,419	303,521	98,046

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2011

16. Trade and other receivables

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Trade and other receivables (current):				
Trade receivables	119,050	48,407	–	–
Refundable deposits	1,713	1,363	8	7
Recoverables	8,757	9,198	–	–
Amount due from minority shareholder of a subsidiary company	–	2	–	–
Amounts due from subsidiaries, trade	–	–	13,457	61,924
Amount due from a subsidiary, non-trade	–	–	8,771	5,819
Amounts due from associates, non-trade	6,500	25,316	–	–
	136,020	84,286	22,236	67,750
Other receivables (non-current):				
Amounts due from subsidiaries, non-trade	–	–	82,719	45,101
Amounts due from associates, non-trade	51,508	44,317	–	–
	51,508	44,317	82,719	45,101
Total trade and other receivables (current and non-current)	187,528	128,603	104,955	112,851
Add: Cash and short-term deposits (Note 22)	155,774	133,570	1,244	3,555
Total loans and receivables	343,302	262,173	106,199	116,406

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2011

16. Trade and other receivables (cont'd)

Trade receivables and amount due from subsidiaries, trade

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

Recoverables

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

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

These amounts are unsecured and non-interest bearing, except for loans amounting to $87,866,000 (2010: $12,991,000) at 1.25% (2010: 1.25%) p.a. above SIBOR.

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

Included in amounts due from associates are loans amounting to $43,364,000 (2010: $55,814,000) which bear interest between 1.6% to 7% p.a. (2010: 2% to 7% p.a.). The amounts of $37,239,000 are subordinated to the bank borrowings of the associated companies.

The remaining balances are unsecured and non-interest bearing.

Except for the current amounts due from associates amounting to $6,500,000 (2010: $25,316,000), the remaining amounts are not expected to be repaid within the next 12 months. All amounts are to be settled in cash.

Trade receivables that are past due but not impaired

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

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2011

16. Trade and other receivables (cont'd)

Receivables that are impaired

The Group's receivables that are impaired at the end of the reporting period and the movement of the allowance accounts used to record the impairment are as follows:

	Group	
	2011 $'000	2010 $'000
Receivables – nominal amounts	1,964	1,911
Less: Allowance for impairment	(1,964)	(1,911)
	–	–
Movement in allowance accounts:		
At 1 January	1,911	–
Charge for the year	53	1,911
At 31 December	1,964	1,911

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

17. Investment securities

	Group		Company	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Available-for-sale financial assets				
Quoted shares, at fair value	1,477	2,325	1,477	2,325
Held for trading investments				
Quoted shares, at fair value	321	415	192	234
	1,798	2,740	1,669	2,559

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2011

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

	Group	
	2011	**2010**
	$'000	**$'000**
Aggregate amount of costs incurred and recognised profits (less recognised losses) to date	653,649	659,022
Less: Progress billings	(656,657)	(764,417)
	(3,008)	(105,395)
Presented as:		
Gross amount due from customers for contract work	2,723	585
Gross amount due to customers for contract work	(5,731)	(105,980)
	(3,008)	(105,395)
Retention sums on construction contract included in trade receivables	20,778	19,763

19. Completed properties held for sale

	Group	
	2011	**2010**
	$'000	**$'000**
Freehold properties, at cost	1,971	3,141
Less: Write-down of properties held for sale	(519)	(350)
	1,452	2,791

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2011

20. Development properties

	Group 2011 $'000	Group 2010 $'000
Freehold land, at cost	176,353	27,971
Leasehold land, at cost	269,058	261,187
Development costs	53,836	121,000
	499,247	410,158
Add: Recognised profits	6,399	34,550
Less: Progress billings	(47,202)	(125,955)
	458,444	318,753
Borrowing costs capitalised during the year	9,379	3,471
Development properties recognised as an expense in cost of sales	111,709	138,202

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

Description and location	% owned	Site area (sq metre)	Gross floor area (sq metre)	Stage of completion (expected year of completion)
Leasehold residential apartments (My Manhattan) at Simei Street 3, Singapore	100	11,793	27,124	10% (2014)
Freehold residential apartments (33M) at 27-39 MacKenzie Street, Melbourne, Australia	100	1,857	36,380	41% (2012)
Public residential development (Belvia) at Bedok Reservoir Cresent, Singapore	100	16,668	46,671	0% (2014)
Freehold residential apartments (Fulcrum) at No. 29 to No. 59 (odd number only) Fort Road, Singapore	100	4,449	9,716	Not launched yet
Freehold residential apartments (Whitesands) at 242 West Coast Highway, Scarborough, Perth, Australia	100	10,165	24,000	Not launched yet

Borrowing costs capitalised during the year were from loans borrowed specifically for the development properties. Interest rate for borrowing costs capitalised during the year range from 1.04% to 2.27% (2010: 1.18% to 1.58%) per annum.

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

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2011

21. Prepayments and deposits

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Prepayments	6,338	6,447	5	7
Deposits for land purchase	12,500	36,772	–	–
	18,838	43,219	5	7

22. Cash and short-term deposits

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Cash at banks and on hand	128,674	95,627	1,200	3,544
Short-term deposits	5,474	26,716	44	11
Project account – cash at bank	21,626	11,227	–	–
	155,774	133,570	1,244	3,555

Cash at banks earn interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between 7 days and a month, depending on the immediate cash requirements of the Group and the Company, and earn interests at the respective short term deposit rates. The interest rates as at 31 December 2011 for the Group and the Company range from 0.08% to 4.73% (2010: 0.03% to 4.40%) and from 0.19% to 4.73% (2010: 0.19% to 4.40%) respectively.

As required by the Housing Developers (Project Account) Rules, project accounts are maintained with financial institutions for housing development projects undertaken by the Group. The operation of a project account is restricted to the specific project and governed by rules and regulations stipulated by the Housing Developers (Project Account) Rules. As at 31 December 2011, the project accounts have a total balance of $21,626,000 (2010: $11,227,000).

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

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Australian Dollar	1,621	6,915	44	11
Malaysian Ringgit	1,381	1,059	–	–

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2011

23. Loans and borrowings

	Maturity	Group 2011 $'000	Group 2010 $'000
Current:			
Bank loans:			
- AUD construction loan at 4% p.a. above Bank Bill Rate	2012	48,398	–
- AUD land loan at 1.5% p.a. above Bank Bill Rate	2012	14,121	–
- SGD revolving short term loan at 1.5% p.a. above Swap Offer Rate	2011	–	30,000
- SGD land and development charge loan at 1% p.a. above Swap Offer Rate	2011	–	85,600
		62,519	115,600
Non-current:			
Bank loans:			
- SGD land loan at 1.15% p.a. above Swap Offer Rate	2015	90,000	–
- SGD land and development charge loan at 1.35% p.a. above Swap Offer Rate	2014	50,000	–
- SGD land and development charge loan at a fixed rate of 2.27% p.a.	2014	35,000	–
- SGD land and development charge loan at 1.28% p.a. above Swap Offer Rate	2014	125,000	122,265
- SGD land loan at 1.4% p.a. above Swap Offer Rate	2013	47,000	47,000
		347,000	169,265
Total loans and borrowings		409,519	284,865

AUD construction loan at 4% p.a. above Bank Bill Rate

This bank loan relates to the construction loan for development project at Melbourne, Australia and is repayable in full by 28 March 2014 or 6 months after completion, whichever is the earlier. This bank loan is secured by:

(a) a legal mortgage on the development properties (Note 20);

(b) fixed and floating charge over all the assets and undertaking of CES-McKenzie (VIC) Pty Ltd incorporating assignment of all rights, title and benefit of all sale agreements and the assignment of Building Contract; and

(c) corporate guarantee from the Company on the total loan outstanding, cost over-run and undertaking to complete the development project.

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2011

23. Loans and borrowings (cont'd)

AUD land loan at 1.5% p.a. above Bank Bill Rate

This bank loan relates to the land loan for development project at Perth, Australia and is repayable in February 2012. This bank loan is secured by:

(a) a legal mortgage on the land situated at 242 West Coast Highway Scarborough WA;
(b) fixed and floating charge over all the assets and undertaking of 242 West Coast Highway Scarborough Pty Ltd; and
(c) equitable mortgage over all the shares of 242 West Coast Highway Scarborough Pty Ltd.

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

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

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

SGD land loan at 1.4% p.a. above Swap Offer Rate

This bank loan relates to the purchase of an investment property at Pasir Panjang and is repayable in full not later than 30 September 2013 or 6 months after the completion of the re-development of the property.

This bank loan is secured by:

(a) a legal mortgage on the investment property (Note 12);
(b) assignment of present and future tenancy and sale agreements;
(c) assignment of construction contracts, performance bonds and fire insurance policy; and
(d) corporate guarantee from the Company.

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2011

24. Provisions

	Group	
	2011	2010
	$'000	$'000
At 1 January	634	633
Arose during the financial year	874	1
At 31 December	1,508	634

The above provision relates to warranty provision.

25. Trade and other payables

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Trade payables	95,556	99,343	895	787
Amount due to subsidiaries, non-trade	–	–	–	9,642
Total trade and other payables	95,556	99,343	895	10,429
Add:				
- Other liabilities (Note 26)	32,133	20,141	13,675	12,130
- Loans and borrowings (Note 23)	409,519	284,865	–	–
Total financial liabilities carried at amortised cost	537,208	404,349	14,570	22,559

Trade payables

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

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

	Group	
	2011	2010
	$'000	$'000
Australian Dollar	5,849	6,365
Malaysian Ringgit	2,854	67

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2011

26. Other liabilities

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Accrued operating expenses	31,576	19,860	13,675	12,130
Rental deposits	557	281	–	–
	32,133	20,141	13,675	12,130

27. Deferred tax liabilities

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

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Deferred tax liabilities				
Differences in depreciation for tax purpose	176	162	5	5
Deferred tax liabilities on development properties	8,056	5,175	–	–
Revaluations to fair value of investment properties	509	509	–	–
	8,741	5,846	5	5

Unrecognised tax losses

At the end of the reporting period, the Group has tax losses of approximately $5,443,000 (2010: $18,261,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

Tax consequence of proposed dividends

There are no income tax consequences (2010: Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 38).

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2011

28. Share capital and treasury shares

(a) *Share capital*

	Group and Company			
	2011		2010	
	No. of shares '000	$'000	No. of shares '000	$'000
Issued and fully paid ordinary shares				
At the beginning and end of the year	667,515	79,691	667,515	79,691

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

(b) *Treasury shares*

	Group and Company			
	2011		2010	
	No. of shares '000	$'000	No. of shares '000	$'000
At 1 January	(8,000)	(4,826)	(8,000)	(4,826)
Reissued pursuant to the performance share plan	2,623	1,049	–	–
Loss on reissuance of treasury share	–	533	–	–
At 31 December	(5,377)	(3,244)	(8,000)	(4,826)

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

During the year, 2,623,000 (2010: Nil) treasury shares were reissued pursuant to the performance shares plan.

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2011

29. Other reserves

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Fair value adjustment reserve	(3,552)	(2,577)	(3,552)	(2,577)
Foreign currency translation reserve	353	(46)	–	–
Capital reserve	674	674	–	–
Share-based compensation reserve	–	1,071	–	1,071
Treasury shares reserve	(533)	–	(533)	–
	(3,058)	(878)	(4,085)	(1,506)

(a) Fair value adjustment reserve

Fair value adjustment reserve represents the cumulative fair value changes, net of tax, of available-for-sale financial assets until they are disposed of or impaired.

	Group and Company	
	2011	2010
	$'000	$'000
At 1 January	(2,577)	(2,887)
Available-for-sale financial assets:		
- net (loss)/gain on fair value changes during the year	(975)	310
At 31 December	(3,552)	(2,577)

(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	
	2011	2010
	$'000	$'000
At 1 January	(46)	403
Net effect of exchange difference arising from translation of financial statements of foreign operations	399	(449)
At 31 December	353	(46)

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2011

29. Other reserves (cont'd)

(c) Capital reserve

	Group 2011 $'000	Group 2010 $'000
At beginning and end of the year	674	674

(d) Share-based compensation reserve

	Group and Company 2011 $'000	Group and Company 2010 $'000
At 1 January	1,071	–
Performance Share Plan:		
- value of employee services	–	1,071
- treasury shares re-issued	(1,049)	–
- cancelled	(22)	–
At 31 December	–	1,071

(e) Treasury shares reserve

This represents the gain or loss arising from purchase, sale, issue or cancellation of treasury shares. No dividend may be paid, and no other distribution (whether in cash or otherwise) of the Company's assets (including any distribution of assets to members in a winding up) may be made in respect of this reserve.

	Group and Company 2011 $'000	Group and Company 2010 $'000
At 1 January	–	–
Loss on treasury shares re-issued	533	–
At 31 December	533	–

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2011

30. Employee benefits expense

	Group	
	2011	2010
	$'000	$'000
Employee benefits expense (including directors):		
Salaries and bonuses	38,848	36,557
Central Provident Fund contributions	2,360	1,977
Share-based payments (CES Share Plan)	–	1,071
Other short term benefits	337	311
	41,545	39,916

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	
	2011	2010
	$'000	$'000
Interest income from associates	(1,423)	(4,420)
Management and other fees from associates	(175)	(608)
Construction contract service provided to associates	(51,415)	(77,684)
Sale of development properties to directors of the Company and subsidiary companies	(700)	(1,337)

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2011

31. Related party transactions (cont'd)

(b) Compensation of key management personnel

	Group	
	2011	**2010**
	$'000	**$'000**
Short-term employee benefits	17,978	15,977
Central Provident Fund contributions	127	95
Other short-term benefits	215	160
Share-based payments	–	529
	18,320	16,761
Comprise amounts paid to		
- Directors of the Company	15,130	13,460
- Other key management personnel	3,190	3,301
	18,320	16,761

32. Commitments

(a) Capital commitments

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

	Group	
	2011	**2010**
	$'000	**$'000**
Capital commitment in respect of purchase of freehold development properties	–	77,400
Capital commitment in respect of purchase of leasehold land	176,500	84,516
	176,500	161,916

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2011

32. Commitments (cont'd)

(b) Operating lease commitments – as lessee

The Group has entered into industrial property lease on a pre-cast yard. The lease has a tenure of five years with no renewal option and the rental is revisable annually by 5.5% or the prevailing posted land rental rate, whichever is lower in the contract. The Group is restricted from subleasing the pre-cast yard to third parties. Operating lease payments recognised in the consolidated profit or loss during the year amounted to $465,000 (2010: $738,000).

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

	Group	
	2011	**2010**
	$'000	**$'000**
Not later than one year	541	430
Later than one year but not later than five years	2,793	107
	3,334	537

(c) Operating lease commitments – as lessor

The Group has entered into commercial property leases on its investment properties. These non-cancellable leases have remaining non-cancellable lease terms of between 1 and 3 years. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

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

	Group	
	2011	**2010**
	$'000	**$'000**
Not later than one year	1,337	1,268
Later than one year but not later than five years	1,750	747
	3,087	2,015

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2011

33. Contingent liabilities

Legal claim

The Group's associated company, Grange Properties Pte Ltd ("Grange Properties") received a Writ of Summons issued by Pearl Properties Pte Ltd, Pearl Properties II Pte Ltd and Pearl Properties V Pte Ltd (collectively "Pearl Properties") on 20 July 2011. The Writ of Summons alleges breaches of certain terms in the Sale and Purchase Agreements ("SPA") and misrepresentations by Grange Properties in relation to the sale of 41 units of the condominium development known as "Grange Infinite" to Pearl Properties.

The directors are of the view that the allegations are unmeritorious and has the intention to vigorously defend the allegations in the Writ of Summons.

Guarantees

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

(a) It has guaranteed the banking facilities of $894,954,000 (2010: $728,523,000) granted to its subsidiaries. At 31 December 2011, the amount utilised was $480,579,000 (2010: $345,688,000); and

(b) It has guaranteed performance bonds of $25,764,000 (2010: $25,764,000) provided by insurance company.

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

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2011

34. Fair value of financial instruments

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

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

	Group	
	2011 **$'000**	**2010** **$'000**
Quoted prices in active markets for identical markets for identical instruments (Level 1)		
Financial assets:		
Held for trading investments (Note 17)		
- Equity instruments (quoted)	321	415
Available-for-sale financial assets (Note 17)		
- Equity instruments (quoted)	1,477	2,325
At 31 December	1,798	2,740

	Company	
	2011 **$'000**	**2010** **$'000**
Quoted prices in active markets for identical markets for identical instruments (Level 1)		
Financial assets:		
Held for trading investments (Note 17)		
- Equity instruments (quoted)	192	234
Available-for-sale financial assets (Note 17)		
- Equity instruments (quoted)	1,477	2,325
At 31 December	1,669	2,559

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

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2011

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

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

Fair value hierarchy

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

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

There have been no transfers between Level 1 and Level 2 fair value measurements during the financial years ended 2011 and 2010.

Determination of fair value

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

Movements in Level 3 financial instruments measured at fair value

There have been no transfers between Level 1 and Level 2 to Level 3 fair value measurements during the financial years ended 2011 and 2010.

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

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

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

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

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

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2011

35. Financial risk management objectives and policies

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

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

(a) Credit risk

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

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

Exposure to credit risk

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

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

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

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2011

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

(a) Credit risk (cont'd)

Credit risk concentration profile

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

	Group			
	2011		2010	
	$'000	% of total	$'000	% of total
By country:				
Singapore	106,037	89	48,308	100
Other countries	13,013	11	99	–
	119,050	100	48,407	100
By industry sectors:				
Construction	48,258	41	47,716	99
Property development	70,739	59	691	1
Property investment	53	–	–	–
Corporate and others	–	–	–	–
	119,050	100	48,407	100

At the end of the reporting period, approximately 28% (2010: 67%) of the Group's trade receivables were due from 5 major customers who are located in Singapore.

Financial assets that are neither past due nor impaired

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

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 16 (Trade and other receivable).

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2011

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 end of the reporting period, approximately 15% (2010: 41%) of the Group's loans and borrowings will mature in less than one year based on the carrying amount reflected in the financial statements.

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

Analysis of financial instrument by remaining contractual maturities

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

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

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2011

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

(b) Liquidity risk (cont'd)

	Group			
2010	**One year or less $'000**	**One to five years $'000**	**Over five years $'000**	**Total $'000**
Financial assets:				
Trade and other receivables	84,286	44,317	–	128,603
Cash and short-term deposits	133,570	–	–	133,570
Total undiscounted financial assets	217,856	44,317	–	262,173
Financial liabilities:				
Trade and other payables	99,343	–	–	99,343
Other liabilities	20,141	–	–	20,141
Loans and borrowings	119,468	174,511	–	293,979
Total undiscounted financial liabilities	238,952	174,511	–	413,463
Total net undiscounted financial liabilities	(21,096)	(130,194)	–	(151,290)

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2011

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

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

	Company			
2011	**One year or less $'000**	**One to five years $'000**	**Over five years $'000**	**Total $'000**
Financial assets:				
Trade and other receivables	22,236	82,719	–	104,955
Cash and short-term deposits	1,244	–	–	1,244
Total undiscounted financial assets	23,480	82,719	–	106,199
Financial liabilities:				
Trade and other payables	895	–	–	895
Other liabilities	13,675	–	–	13,675
Total undiscounted financial liabilities	14,570	–	–	14,570
Total net undiscounted financial assets	8,910	82,719	–	91,629
2010				
Financial assets:				
Trade and other receivables	67,750	45,101	–	112,851
Cash and short-term deposits	3,555	–	–	3,555
Total undiscounted financial assets	71,305	45,101	–	116,406
Financial liabilities:				
Trade and other payables	10,429	–	–	10,429
Other liabilities	12,130	–	–	12,130
Total undiscounted financial liabilities	22,559	–	–	22,559
Total net undiscounted financial assets	48,746	45,101	–	93,847

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2011

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

(b) Liquidity risk (cont'd)

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

	Group and Company			
2011	**One year or less $'000**	**One to five years $'000**	**Over five years $'000**	**Total $'000**
Financial guarantees	100,054	406,289	–	506,343
2010				
Financial guarantees	170,192	215,535	–	385,727

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings and interest-bearing loans given to related parties. The interest rate charge for loans to associates and related parties are at fixed rate (Note 16).

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

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

At the end of the reporting period, if SGD interest rates had been 75 (2010: 75) basis points lower/higher with all other variables held constant, the Group's profit before tax would have been $3,071,000 (2010: $2,136,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings.

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

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2011

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

(d) Foreign currency risk

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

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

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

Sensitivity analysis for foreign currency risk

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

	Group Profit before tax	
	2011 $'000	2010 $'000
USD		
- strengthened 3% (2010: 3%)	+458	+453
- weakened 3% (2010: 3%)	-458	-453
A$		
- strengthened 3% (2010: 3%)	+1,464	-248
- weakened 3% (2010: 3%)	-1,464	+248
VND		
- strengthened 3% (2010: 3%)	-16	+47
- weakened 3% (2010: 3%)	+16	-47
MYR		
- strengthened 3% (2010: 3%)	+259	-30
- weakened 3% (2010: 3%)	-259	+30

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2011

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 Singapore Exchange Securities Trading Limited (SGX-ST) in Singapore and the HoChiMinh Stock Exchange in Vietnam. These are classified as held for trading or available-for-sale financial assets.

At the end of the reporting period, 82% (2010: 85%) of the Group's equity portfolio consists of quoted investment in Vietnam.

Sensitivity analysis for equity price risk

At the end of the reporting period, if the STI and the HoChiMinh Stock Exchange had been 2% (2010: 2%) higher/lower with all other variables held constant, the Group's profit before tax would have been $6,000 (2010: $8,000) higher/lower, arising as a result of higher/lower fair value gains on held for trading investments in equity instruments, and the Group's other reserve in equity would have been $30,000 (2010: $47,000) 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 2011 and 31 December 2010.

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2011

36. Capital management (cont'd)

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

	Group	
	2011	**2010**
	$'000	**$'000**
Loans and borrowings (Note 23)	409,519	284,865
Trade and other payables (Note 25)	95,556	99,343
Other liabilities (Note 26)	32,133	20,141
Less: Cash and short-term deposits (Note 22)	(155,774)	(133,570)
Net debt	381,434	270,779
Equity attributable to the owners of the Company	416,884	320,253
Add/(less):		
- Fair value adjustments reserve (Note 29(a))	3,552	2,577
Total capital	420,436	322,830
Capital and net debt	801,870	593,609
Gearing ratio	48%	46%

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2011

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)

For the financial year ended 31 December 2011

37. Segment information (cont'd)

Year ended 31 December 2011	Construction $'000	Property developments $'000	Property investment $'000	Corporate and others $'000	Adjustments and eliminations $'000	Notes	Total $'000
Revenue:							
External customers	205,866	152,000	1,939	175	–		359,980
Intersegment sales	54,447	139,350	433	56,716	(250,946)	A	–
Total revenue	260,313	291,350	2,372	56,891	(250,946)		359,980
Interest income	203	1,492	–	75	–		1,770
Dividend income	10	–	–	181	–		191
Finance costs	–	(214)	–	–	–		(214)
Depreciation and amortisation	(1,053)	(193)	(3)	(312)	–		(1,561)
Share of results of associates	–	23,445	–	340	–		23,785
Fair value gain on investment properties	–	–	5,460	–	–		5,460
Other non-cash items:						B	
Net fair value loss on investment securities	(52)	–	–	(42)	–		(94)
Cancellation of share-based compensation	22	–	–	–	–		22
Impairment loss on receivables	(38)	(15)	–	–	–		(53)
Provision for contingencies	(2,500)	–	–	–	–		(2,500)
Segment profit	90,674	40,905	7,087	1,329	1,953	C	141,948
Assets and liabilities:							
Investment in associates	–	10,327	–	2,450	–		12,777
Additions to non-current assets	5,156	428	37,415	921	–	D	43,920
Segment assets	147,572	741,534	147,858	7,186	(53,612)		990,538
Segment liabilities	153,671	396,596	48,365	15,238	(40,216)		573,654

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2011

37. Segment information (cont'd)

A Inter-segment revenues are eliminated on consolidation.

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

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

	2011 $'000	2010 $'000
Share of results of associates	23,785	143,616
Profit from inter-segment sales	1,953	406
Finance costs	(214)	(1,535)

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

Geographical information

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

	Singapore $'000	Other countries $'000	Total $'000
Year ended 31 December 2011			
Revenue	359,497	483	359,980
Non-current assets	108,389	42,815	151,204
Year ended 31 December 2010			
Revenue	476,187	843	477,030
Non-current assets	103,467	156	103,623

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

Information about a major customer

Revenue from one major customer amount to $51,614,000 (2010: $76,722,000), arising from revenue by the construction segment.

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2011

37. Segment information (cont'd)

Year ended 31 December 2010	Construction $'000	Property developments $'000	Property investment $'000	Corporate and others $'000	Adjustments and eliminations $'000	Notes	Total $'000
Revenue:							
External customers	305,150	169,727	1,562	591	–		477,030
Intersegment sales	98,822	122,453	433	57,026	(278,734)	A	–
Total revenue	403,972	292,180	1,995	57,617	(278,734)		477,030
Interest income	109	4,505	–	14	–		4,628
Dividend income	8	–	–	128	–		136
Finance costs	–	(1,516)	(19)	–	–		(1,535)
Depreciation and amortisation	(697)	(245)	(3)	(202)	–		(1,147)
Share of results of associates	12	143,309	–	295	–		143,616
Fair value gain on investment properties	–	–	1,500	–	–		1,500
Other non-cash items:						B	
Net fair value (loss)/ gain on investment securities	(37)	–	–	78	–		41
Reversal of provision for foreseeable losses	15,191	–	–	–	–		15,191
Impairment loss on receivables	–	(1,911)	–	–	–		(1,911)
Share-based compensation expenses	(536)	(171)	–	(364)	–		(1,071)
Segment profit	23,785	148,781	2,944	1,163	406	C	177,079
Assets and liabilities:							
Investment in associates	–	108,129	–	1,917	–		110,046
Additions to non-current assets	5,197	17	64,855	479	–	D	70,548
Segment assets	162,821	584,008	102,807	11,877	(18,583)		842,930
Segment liabilities	201,474	264,096	47,954	13,584	(4,439)		522,669

Notes to the Financial Statements (cont'd)

For the financial year ended 31 December 2011

38. Dividend proposed

The Directors propose that a tax exempt one-tier first and final dividend of 4.0 cents per share, amounting to $26,485,526 (2010: tax exempt one-tier first and final dividend of 4.0 cents per share amounting to $26,465,526) be paid for the year ended 31 December 2011.

39. Comparatives

Certain adjustments have been made to the prior year's financial statements to reflect the effects of adoption of INT FRS 115 Agreements for the Construction of Real Estate that is effective for annual periods beginning on or after 1 January 2011. The effects of adoption are shown in the change in accounting policies on the Note 2.2 to the financial statements.

40. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2011 were authorised for issue in accordance with a resolution of the Directors on 13 March 2012.

Statistics of Shareholdings

As at 16 March 2012

Share Capital

Issued and fully-paid capital	:	$79,690,709
No. of Issued Shares	:	667,515,161
No. of Issued Shares (excluding Treasury Shares)	:	662,138,161
No./Percentage of Treasury Shares	:	5,377,000 (0.81%)
Class of Shares	:	Ordinary share
Voting Rights (excluding Treasury Shares)	:	One vote for each share

Distribution of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 999	33	0.36	11,416	0.00
1,000 – 10,000	4,965	54.17	28,352,729	4.28
10,001 – 1,000,000	4,123	44.98	243,838,106	36.83
1,000,001 and above	45	0.49	389,935,910	58.89
TOTAL	9,166	100.00	662,138,161	100.00

Substantial Shareholders	Direct Interest	%	Deemed Interest	%
Lim Tiam Seng[(1)]	65,499,000	9.89	17,198,000	2.60
Lim Tiang Chuan	44,177,000	6.67	–	–
Kwek Lee Keow[(2)]	17,198,000	2.60	65,499,000	9.89

Notes :

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

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

Statistics of Shareholdings (cont'd)

As at 16 March 2012

Twenty Largest Shareholders

No.	Name	No. of Shares	%
1	LIM TIAM SENG	65,499,000	9.89
2	LIM TIANG CHUAN	44,177,000	6.67
3	OCBC SECURITIES PRIVATE LTD	23,481,000	3.55
4	MAYBANK KIM ENG SECURITIES PTE LTD	23,343,754	3.53
5	CITIBANK NOMINEES SINGAPORE PTE LTD	22,653,061	3.42
6	LIM TIAN BACK	22,003,000	3.32
7	LIM LING KWEE	20,605,000	3.11
8	LIM TIAN MOH	18,853,000	2.85
9	KWEK LEE KEOW	17,198,000	2.60
10	DAWN LIM SOCK KIANG	15,377,000	2.32
11	LIM SOCK JOO	14,702,000	2.22
12	UOB KAY HIAN PTE LTD	10,637,000	1.61
13	DBS NOMINEES PTE LTD	9,247,850	1.40
14	PHILLIP SECURITIES PTE LTD	7,526,595	1.14
15	UNITED OVERSEAS BANK NOMINEES PTE LTD	7,029,500	1.06
16	CIMB SECURITIES (SINGAPORE) PTE LTD	6,911,000	1.04
17	CHIA LEE MENG RAYMOND	6,125,000	0.93
18	DBS VICKERS SECURITIES (S) PTE LTD	4,343,000	0.66
19	RAFFLES NOMINEES (PTE) LTD	4,003,400	0.60
20	HONG LEONG FINANCE NOMINEES PTE LTD	3,723,000	0.56
TOTAL		347,438,160	52.48

Percentage of Shareholdings in Public's Hand

Approximately 65.72% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

Notice of Annual General Meeting

Chip Eng Seng Corporation Ltd. (Incorporated in Singapore) (Registration No. 199805196H) (the "Company")

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Emerald Suite, Golf Clubhouse – Level II, Orchid Country Club, No. 1 Orchid Club Road, Singapore 769162 on Wednesday, 25 April 2012 at 10.00 a.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 2011 and the Auditors' Report thereon. **(Resolution 1)**

2. To declare a Tax Exempt One-Tier First and Final Dividend of 4.0 cents per ordinary share for the financial year ended 31 December 2011 (2010: Tax Exempt One-Tier First and Final Dividend of 4.0 cents per ordinary share). **(Resolution 2)**

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

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

5. To re-elect Mr Cheng Heng Tan, 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 additional Directors' fees of S$60,000 for the financial year ended 31 December 2011 (2010: S$120,000). **(Resolution 7)**

8. To approve the payment of Directors' fees of S$305,000 for the financial year ending 31 December 2012, to be paid quarterly in arrears (2011: S$245,000). **(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:

Notice of Annual General Meeting (cont'd)

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

(ii) make or grant offers, agreements or options that may or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares (collectively, "Instruments"),

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

b. (notwithstanding that the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

(i) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per cent. (50%) of the total number of issued shares excluding treasury shares of the Company (as calculated in accordance with sub-paragraph (ii) below), of which the aggregate number of shares to be granted other than on a pro-rata basis to shareholders of the Company with registered addresses in Singapore (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed twenty per cent. (20%) of the total number of issued shares excluding treasury shares of the Company (as calculated in accordance with sub-paragraph (ii) below);

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

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

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

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

(iii) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and

(iv) unless revoked or varied by the Company in general meeting, the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier." [See Explanatory Note (v)] **(Resolution 10)**

Notice of Annual General Meeting (cont'd)

12. "CHIP ENG SENG PERFORMANCE SHARE PLAN

That the Directors of the Company be and are hereby authorised to offer and grant awards in accordance with the provisions of the Chip Eng Seng Performance Share Plan (the "Performance Share Plan") and pursuant to Section 161 of the Companies Act, 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 Performance Share Plan and any other share based incentive schemes of the Company shall not exceed fifteen per cent. (15%) of the total number of shares excluding treasury shares of the Company from time to time." [See Explanatory Note (vi)]

(Resolution 11)

13. "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 (vii)]

(Resolution 12)

By Order of the Board

Abdul Jabbar Bin Karam Din
Joint Company Secretary

Singapore, 5 April 2012

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 Hoon Tai Meng, upon re-election as a Director of the Company, will remain as a Member of the Nominating Committee. Mr Hoon is an Executive Director.

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

(iii) Mr Cheng Heng Tan, upon re-election as a Director of the Company, will remain as the Chairman of the Nominating Committee, a member of the Audit Committee and the Remuneration Committee. Mr Cheng is an Independent Director.

(iv) Mr Lim Tiam Seng, upon re-election as a Director of the Company, will remain as the 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 9 (including shares to be issued in pursuance of Instruments made or granted) shall not exceed fifty per cent. (50%) of the total number of issued shares excluding treasury shares of the Company, with a sub-limit of twenty per cent. (20%) for shares issued other than on a pro rata basis (including shares to be issued in pursuance of instruments made or granted pursuant to this Resolution) to shareholders with registered addresses in Singapore. For the purpose of determining the aggregate number of shares that may be issued, the percentage of the total number of issued shares excluding treasury shares of the Company will be calculated based on the total number of issued shares excluding treasury shares of the Company at the time of the passing of Resolution 9, after adjusting for (i) new shares arising from the conversion or exercise of any convertible securities; (ii) new shares arising from exercise of share options or vesting of share awards outstanding or subsisting at the time of the passing of Resolution 9, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and (iii) any subsequent bonus issue, consolidation or subdivision of shares.

(vi) **Resolution 11** 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.

(vii) **Resolution 12** 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 and to date had re-issued 2,623,000 ordinary shares to employees and Directors of the Group. Detailed information on the Renewal of the Share Purchase Mandate is set out in Appendix A.

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PROXY FORM

(Please see notes overleaf before completing this Form)

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

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

I/We, ____

of ____

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

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

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

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

or failing him/her the Chairman of the Meeting as my/our proxy/proxies to attend and vote for me/us on my/our behalf and, if necessary, to demand a poll, at the Annual General Meeting of the Company to be held at Emerald Suite, Golf Clubhouse – Level II, Orchid Country Club, No. 1 Orchid Club Road, Singapore 769162 on Wednesday, 25 April 2012 at 10.00 a.m. and at any adjournment thereof.

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

No.	**Resolutions relating to:**	**For**	**Against**
	ROUTINE BUSINESS		
1	Adoption of Directors' Report and Audited Accounts for the financial year ended 31 December 2011 **(Resolution 1)**		
2	Payment of a proposed first and final dividend **(Resolution 2)**		
3	Re-election of Mr Hoon Tai Meng as a Director **(Resolution 3)**		
4	Re-election of Mr Ang Mong Seng as a Director **(Resolution 4)**		
5	Re-election of Mr Cheng Heng Tan 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 additional Directors' fees amounting to S$60,000 for the financial year ended 31 December 2011 **(Resolution 7)**		
8	Approval of Directors' fees amounting to S$305,000 for the financial year ending 31 December 2012, 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 offer and grant awards and issue shares in accordance with the provisions of the Chip Eng Seng Performance Share Plan **(Resolution 11)**		
13	Approval of the renewal of the Shares Purchase Mandate **(Resolution 12)**		

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

Dated this ____________________ day of ________________________ 2012

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

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

IMPORTANT: PLEASE READ NOTES OVERLEAF.

Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.

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

3. The instrument appointing a proxy or proxies must be deposited at the Company's Registered Office at 69 Ubi Crescent, #06-01, CES Building, Singapore 408561 not less than 48 hours before the time set for the meeting.

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

5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its officer or attorney duly authorised.

6. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

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

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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

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Co. Reg. No. 199805196H