



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

BUILDING POTENTIAL

FOR GREATER VALUE

ANNUAL REPORT 2019



CONTENTS

01	Corporate Profile
04	Joint Message by Chairman and CEO
08	Our Business
12	Geographical Reach
16	Financial Highlights
18	Financial Review
20	Operations Review
26	Board of Directors
30	Executive Officers
32	Project Portfolio
36	Significant Events
38	Awards and Certifications
39	Corporate Social Responsibility
40	Corporate Information
41	Corporate Governance Report
74	Financial Statements
188	Statistics of Shareholdings

CORPORATE PROFILE

Founded by Mr Lim Tiam Seng in the 1960s, Chip Eng Seng started out as a subcontractor for conventional landed properties and has evolved over the years into a major property development and construction group in Singapore, with an impressive portfolio of quality residential developments, commercial properties, and hospitality assets.

The Company, which has been listed on the Mainboard of the Singapore Exchange Securities Trading Limited since 1999, has built its business on five core pillars: Property Development, Construction, Hospitality, Education, and Property Investment.

With an established track record in construction, Chip Eng Seng made a major breakthrough into the public housing market in 1982 when it was appointed as main contractor for its first Housing and Development Board (HDB) project. Building on this achievement, the Group continued to grow its brand and reputation over the years which saw it win one of Singapore's most coveted and iconic public housing projects today – the Pinnacle@Duxton. To build its capability in modular construction, the Group currently operates two precast yards, one in each of Singapore and Malaysia. 2019 saw the Group's construction segment expanding its capabilities to include infrastructure and civil engineering through its acquisition of CES_SDC Pte. Ltd.

The last 20 years saw Chip Eng Seng build and grow its property development business into an active real estate developer with properties in Singapore and Australia. Reputable projects in Singapore developed by the Group include High Park Residences, Junction Nine and Nine Residences, Alexandra Central, My Manhattan, 33M, The Parc Condominium, Grange Infinite, CityVista, and The Suites@Central. To build a steady and recurring revenue stream, the Group's property investment arm has over time invested in commercial buildings, shophouses and light industrial building in Singapore, Australia and New Zealand.

At the hospitality front, the Group's growth strategy had allowed it to expand its hospitality portfolio. Park Hotel Alexandra in Singapore was the Group's first hospitality asset, and the Group added Grand Park Kodhipparu Resort in the Maldives, The Sebel



Artist's Impression of Hyatt Regency Adelaide



The Perse School Singapore

Mandurah Hotel in Perth, Australia, and Mercure & Ibis Styles Grosvenor Hotel in Adelaide, Australia to its stable of hotel properties in a short span of time. In addition, the Group has committed to build a new Hyatt Regency hotel in Adelaide, Australia and a five-star resort in the Maldives.

The Group had also since 2018 diversified its business into the education sector to augment the Group's growth with a steady and recurring revenue stream. To-date, the Group's education footprint spans the Asia Pacific, includes preschools, enrichment centres, K12 schools, educational content creation and online education.



UNWAVERING COMMITMENT, UPHOLDING QUALITY

We strive for excellence in what we do. Our expertise, experience and insights in the markets we serve allow us to deliver consistent results.





JOINT MESSAGE BY CHAIRMAN AND CEO

“In 2019, we broadened our reach further by adding an Infrastructure and Civil Engineering arm.”

Dear Shareholders,

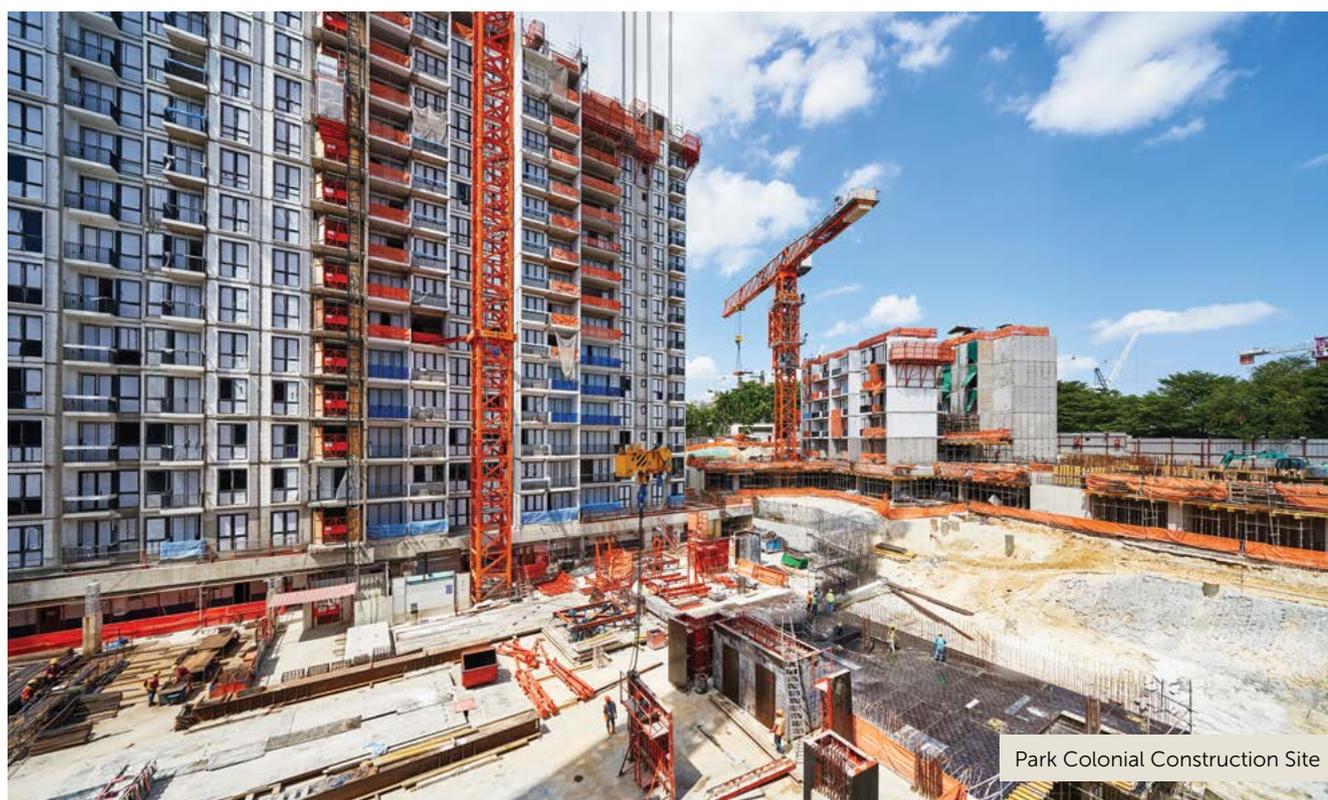
Chip Eng Seng has grown steadily over the past four decades because of our ability to focus on sectors key to our business, and to reinvent ourselves continually. We have invested astutely, kept a constant eye out for new growth opportunities, and tapped synergies both at home and abroad across the key pillars of our business: Construction, Property Development, Hospitality, Property Investment and, since 2018, Education. In 2019, we broadened our reach further by adding an Infrastructure and Civil Engineering arm.

Visionary leadership is vital if we are to fulfil our commitment of maximising value for all stakeholders. As Non-Executive Chairman and Group CEO, we are committed to doing our best to help this home-grown business reach a higher apex.

TAKING CHALLENGES IN OUR STRIDE

Headwinds encountered in FY2019 came from our two traditional property markets – Singapore and Australia – with rising interest rates and the vagaries stemming from the China-US trade war putting a dampener on market sentiments. To counter these challenges, our property team delved in-depth into market demand so it could give the market what it wants. This has meant focusing particularly on the design, size and theme of residential units we will be launching in 2020.

Also, due to rising borrowing costs and falling enthusiasm from investors for mid-sized company bonds, we turned to a rights issue to raise funds and reduce our gearing. The decision to bolster our equity and lower our gearing has proven to be sound especially in the face of unexpected and unprecedented developments such as the global impact of the COVID-19 pandemic.



For our Education sector, we concentrated on moulding a core team of educators to spearhead the education brands we are growing organically or have acquired.

During the year, we acquired CES_SDC Pte. Ltd. (CES_SDC), thereby adding an Infrastructure and Civil Engineering arm.

SATISFACTORY FINANCIALS

Set against a backdrop of sluggish property markets and growing uncertainties from the China-US trade war, the Group's financial performance can be considered satisfactory although revenue slid 2.3% to \$1.06 billion from \$1.08 billion in FY2018, and net profit after tax contracted 59.4% to \$32.6 million from \$80.3 million the previous year.

Still, we continued to reinvent ourselves by focusing on sections such as Infrastructure and Civil Engineering and Education, the outlook for which we still consider rosy. Our balance sheet also remains robust with our net gearing as at 31 December 2019 falling slightly to 1.50 from 1.68 as at 31 December 2018.

For FY2019, we are proposing a dividend payment of 4.0 cents per share, which makes this the 10th consecutive year we are paying at least 4.0 cents as dividend.

YEAR IN REVIEW

Property Development

This division recorded a 4.4% year-on-year fall to \$792 million from \$828.6 million in FY2018. Smaller contributions from both Williamsons Estate in Doncaster, Melbourne, and High Park Residences in Singapore accounted for this drop. Also, the disposal of 150 Queen Street in Melbourne and 242 West Coast Highway, Scarborough, in Western Australia had contributed to higher revenue in 2018. Slower local and global economic growth impeded investment and home buyers' ability to acquire or upgrade homes, as did a tightening of credit for end-user financing. Property cooling measures remained a hurdle for property investment by residents and foreigners alike.

On the positive side, progressive revenue recognition from Grandeur Park Residences and Park Colonial, both in Singapore, helped to partially



Contract T227 – Marina South Station and Tunnels for Thomson Line

offset the decrease in revenue. We have sold 89.1% of Park Colonial units and 41.7% of Parc Komo. The Group also continued clearing its inventory as it aimed to sell projects off substantially before they attain Temporary Occupancy Permit (TOP).

Construction

This sector was characterised by competitive tender bids in FY2019 as competition for public projects intensified.

Revenue from this division slipped 3.2% to \$164.4 million from \$169.9 million in FY2018 due to lower revenue recognised from Tampines N6C1A/1B, Woodlands N1C26 & N1C27 and Bidadari C6 & C7. However, revenue recognised from Yishun G27A, Bidadari C8 & C9, Sengkang N4C39 & C40 and Precast projects partially offset this drop.

Hospitality

The Group's Hospitality division painted a chirpier picture with revenue climbing 9.1% to \$78.2 million from \$71.7 million in FY2018. This was mainly due to improved takings from Grand Park Kodhipparu Resort in the Maldives and Park Hotel Alexandra in Singapore. The full-year contribution from the Mercure & Ibis Styles Grosvenor Hotel in Adelaide,

JOINT MESSAGE BY CHAIRMAN AND CEO (cont'd)

South Australia, also provided a boost to the division's revenue. Profit from this arm also rose substantially to \$1.6 million.

Education

We expanded this sector substantially in FY2019 by adding a local K12 brand, Invictus International School, partnering The Perse UK to establish an international primary school at Upper Bukit Timah in Singapore and acquiring Excelsior International School in Johor Bahru, Malaysia.

We also set up an enrichment centre specialising in English for pre-schoolers in Shanghai, China and the second Repton Schoolhouse in Bukit Timah.

The sector generated a revenue of \$13.8 million, up from \$2.6 million in FY2018. This revenue came from White Lodge preschools, our first Repton Schoolhouse pre-school, and the newly acquired Invictus International School and Excelsior International School.

In the Educational Technology arm of this division, we completed our investment into Guangzhou Yuanda Information Development Co., Ltd., an online education platform for primary school mathematics in China, and acquired equity stakes in Amdon Consulting, which offers digital science content.

Property Investment & Others

Our Property Investment & Others division registered a revenue dip of 2.7% from \$7.5 million to \$7.3 million in FY2019, due mainly to lower occupancy at CES Centre in Singapore. During the year, the Group focused on improving the occupancy rates of its investment properties.

OUTLOOK

Property Development

The darkening clouds over the global economy and the recent COVID-19 pandemic have depressed market sentiment and could affect property prices and response to property launches. In replenishing our land bank, the Group will continue to be discerning, employing a competitive pricing strategy.

Construction

In the public housing sector, the Housing and Development Board is aiming to launch 16,000 to 17,000 Build-To-Order flats in 2020, up from 2019. The Group is cautiously optimistic about harnessing some benefits from the expected construction projects.

Additionally, the acquisition of CES_SDC has enabled us to diversify into infrastructure projects. In the coming year we plan to expand this new arm by leveraging on CES_SDC's good track record in infrastructure and civil engineering projects to participate in large tenders.

Hospitality

The COVID-19 pandemic has already impacted tourist arrivals and corporate travel in Singapore, resulting in a huge drop in occupancy rates from end of January across all hotels in Singapore, including Park Hotel Alexandra. The Group's hotels in Australia and Maldives have also seen many bookings cancelled since the end of February 2020. Hotel occupancy rates could fall even more significantly in the next few months if the pandemic is not brought under control.

Nevertheless, we will continue with expansion of our hotel property portfolio by redeveloping the property at 51 Pirie Street, Adelaide, Australia into a new Hyatt Regency and constructing a 5-star resort in the Maldives.

Education

We will continue to grow this sector although the COVID-19 pandemic might impact our marketing and growth plans for this business negatively if it stretches over a long period. Over the past two years, we focused on nurturing a team of educators with strong credentials and acquiring and building quality brands. For the next two years, we will fortify our brand position and improve each brand's performance.

Meanwhile, preparations are underway in Cambodia to open Invictus International School in Phnom Penh before the end of 2Q2020. In Singapore, Invictus International School Pte. Ltd. will be setting up a new campus for children in grades 1 to 12 in Centrium Square.



Bidadari C8 & C9 Construction Site

Property Investment & Others

We will consider divestment of our existing properties if the right opportunity presents itself.

OUR PEOPLE AND SUCCESSION PLANNING

Our people have been at the heart of our success so far and, to sustain our performance amidst stiff competition, we have to keep recruiting talents to beef up our team. In the process, we are also carrying out succession planning so the Group's growth will be sustainable.

To strengthen our Board, we are pleased to have Prof Low Teck Seng, Dr Neo Boon Siong and Prof Yaacob Bin Ibrahim join us as independent directors, and Mr Yam Ah Mee as a non-independent and non-executive director. The expansion in board size will help us manage the enlarged scope of our Construction business with the formation of an Infrastructure and Civil Engineering arm, and the addition of Education as one of our core businesses.

We will continue to reinvent ourselves to overcome all headwinds. As the creation of our Education and Infrastructure and Civil Engineering arms illustrate, the Group will venture into new sectors that show promise for continual growth and a steady flow of income.

PROMISE AND APPRECIATION

In FY2020, the Group will keep mining opportunities, rolling out innovations and exploiting synergies across all five segments of our business to fortify our Company and make sure we remain resilient and strong into the future.

We would also like to take this opportunity to thank our management team and every staff member for their dedication and hard work.

Our thanks also go to our shareholders, customers, suppliers, business partners, management and staff for keeping faith in Chip Eng Seng.

It is your confidence in us and support that give us the uplift to continue broadening our horizon, climbing to greater heights and pushing the apex for each of our pillars in the coming years.

Thank You.

MRS CELINE TANG

Non-Executive Chairman

MR CHIA LEE MENG RAYMOND PBM

Group Chief Executive Officer

OUR BUSINESS



Bidadari C8 & C9 Construction Site

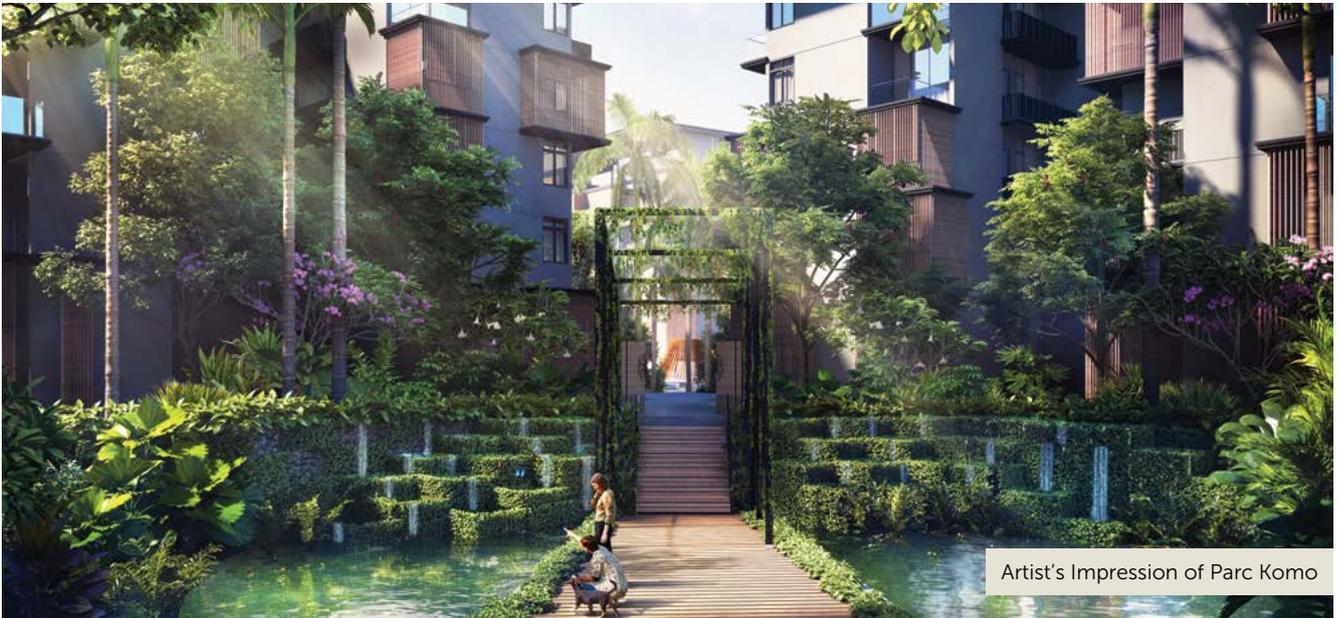
“CESC undertakes construction work for public and private housing projects, while CESE undertakes construction work for public and private housing projects, industrial and commercial projects.”

CONSTRUCTION

The Group conducts its construction business through its two wholly-owned subsidiaries, Chip Eng Seng Contractors (1988) Pte Ltd (CESC) and CES Engineering and Construction Pte. Ltd. (CESE).

CESC undertakes construction work for public and private housing projects, while CESE undertakes construction work for public and private housing projects, industrial and commercial projects. CESC was recently awarded a \$98.7 million building works contract by the Housing & Development Board for building works to be undertaken at Tampines Neighbourhood 8 Contract 31.

To meet Singapore’s burgeoning demand for precast and prefabricated prefinished volumetric construction (PPVC) components, the Group



Artist's Impression of Parc Komo

established a precast concrete contracting arm, CES-Precast Pte Ltd (CESP), in 2006. Four years later, CESP opened a 50,000m² precast plant in Johor to carry out its precast and PPVC manufacturing works.

With their operating track records, both CESC and CESE are consistently awarded the A1 classification for general building contractors. This is the highest classification tier awarded by the Building and Construction Authority (BCA) for general building contracting works, and enables a contractor to pursue public sector projects with an unlimited contract value. Both CESC and CESE also attained A2 and B2 gradings as civil engineering contractors, which means they can bid for public sector projects with values of up to \$85 million and \$13 million respectively.

CESP is currently registered with BCA under the registration head of CR10 "Precast Concrete Works" and Financial Category of L6, which enable CESP to tender for public sector prefabrication contracts with uncapped values.

CIVIL ENGINEERING

With an eye to tender for large scale and high value infrastructure and civil engineering projects and civil engineering, Chip Eng Seng acquired CES_SDC Pte. Ltd. (CES_SDC) in December 2019. The

acquisition will expand the Group's capabilities from building construction and precast to infrastructure and civil engineering enabling it to bid for a wider range of competitive construction tender projects locally and overseas.

CES_SDC is a design and build construction service provider specialised in undertaking civil, industrial and utilities infrastructure projects, and has been in the business since 1982. CES_SDC is registered with the Building Construction Authority of Singapore as an A1 building (CW01) and civil engineering (CW02) contracting firm and is qualified to tender for public sector contracts with unlimited tender sums. CES_SDC offers a wide spectrum of engineering and construction capabilities with the ability to customise solutions to meet the diverse needs of its clients. CES_SDC's ongoing projects include the development of Changi East to effect 3 runways operation at Singapore Changi Airport (Package 2), construction of the MRT Thomson Line tunnels and Marina South Station and construction of foundations, earth retaining structures, soil stabilization & bulk excavation for Changi Water Reclamation Plant (Phase 2). CES_SDC was also recently awarded a contract of \$226.6 million by the Land Transport Authority to design and construct Gek Poh Station and Tawas Station (working names) and two associated viaducts for the Jurong Region Line.

OUR BUSINESS (cont'd)

In addition, the PUB (Singapore National Water Agency) has just awarded to CES_SDC a contract of \$433 million to construct biosolids treatment and biogas handling facilities for Tuas water reclamation plant.

PROPERTY DEVELOPMENT

The responsibility for evaluating and acquiring potential sites and projects for Chip Eng Seng's development and investment lies with CEL Development Pte. Ltd. (CEL), a wholly-owned subsidiary of the Company. CEL's extensive experience has allowed the Group to achieve a diversified portfolio that encompasses residential, commercial and industrial properties.

A wider vision in the mid-2000s spurred CEL to partner several reputable international funds to develop private condominiums. From this springboard, the company went on to collaborate with Singapore developers such as NTUC Choice Homes Cooperative Ltd, Heeton Holdings Limited, KSH Holdings Limited and Keppel Land Limited on development projects that were well received in the market.

In 2019, CEL (through its wholly-owned subsidiary) was awarded the tender for a land parcel at Kampong Java Road, which the company intends to develop into a condominium project with 378-units.

Away from Singapore, CEL has been successful with a number of development projects and investment interests in Australia. It is constantly on the look-out for opportunities in other surrounding regions that will contribute synergistically to the Group's growth.



Park Colonial Construction Site

HOSPITALITY

Chip Eng Seng first ventured into the hospitality sector in 2015 with the opening of its maiden hotel, Park Hotel Alexandra, which is operated by an established hospitality group, Park Hotel Group (PHG). The hotel offers 442 guestrooms and suites which provides a range of modern amenities. The earlier collaboration with PHG led to a joint venture with PHG a year later in Grand Park Kodhipparu Resort. The 120-villa resort in the Maldives opened in 2017.

Committed to further expanding its hospitality business, Chip Eng Seng acquired The Sebel Mandurah located in Perth, Western Australia in 2017 and the Mercure & Ibis Styles Grosvenor Hotel located in Adelaide's Central Business District in 2018. In the same year 2018, Chip Eng Seng acquired its fifth hotel site in the centre of Adelaide's central business district, 51 Pirie Street which will be re-developed into a new Hyatt Regency Adelaide.

With construction scheduled to commence in 2020, Hyatt Regency Adelaide is expected to open in early 2023. When completed, Hyatt Regency Adelaide will offer 295 guestrooms and suites, other facilities such as ballroom and meeting rooms, a Market Café, Regency Club, swimming pool, fitness facilities and roof top bar.

Building on its success in Grand Park Kodhipparu Resort, the Group further extended its footprint in the hospitality sector in the Maldives and entered into a joint venture in 2019 with Amin Construction (through its affiliate) to jointly develop a lagoon located at North Malé Atoll into a 5-star resort.

EDUCATION

Recognising an opportunity for further growth with a steady recurring income stream, the Group ventured into the Education sector in 2018 through its wholly-owned subsidiary, CES Education Pte. Ltd. (CES Education).

CES Education's first investment in the Education sector was an acquisition in the same year, of a 70%-equity stake in White Lodge Education Group Services (White Lodge), which owns eight preschool centres in Singapore and three preschool centres in Kuala Lumpur, West Malaysia.



William Penn Academy – Shanghai

Our Education segment has been active in the past two years in seeking growth opportunities locally and internationally. Since CES Education's acquisition of White Lodge in 2018, the Group has expanded its portfolio to include preschools, international schools, and education technology businesses.

Locally, CES Education set up its first two Repton School brand pre-school centres, Repton Schoolhouse Alexandra and Repton Schoolhouse Bukit Timah, pursuant to the Group's collaboration with Repton International Schools Ltd. CES Education also acquired an effective interest of 55.40% in Invictus International School Pte. Ltd., which operates an international primary school and a pre-school centre in Singapore.

As part of the Group's plan to extend its global reach, the Group acquired a 100% interest in CES Education (Malaysia) Pte. Ltd., which operates an international school known as Excelsior International School in Johor Bahru, Malaysia. The Group announced the proposed acquisition of a childcare centre business in Tarneit, Victoria, Australia. The Group also recently announced that it has received the licences and approvals to commence operating an "Invictus" branded kindergarten and primary school in Hong Kong, and has commenced registration for students.

In the education technology sphere, the Group completed its acquisitions of minority equity stakes in Amdon Consulting Pte Ltd, a provider of interactive content and pedagogical resources in the fields of science and technology, and Guangzhou Yuanda Information Development Co., Ltd, a provider of online education of mathematics to primary school students. The Group also announced the provision of a convertible loan to Cybint International Pte. Ltd. (CIPL), a provider of training solutions and services in cybersecurity, which will be convertible into minority shareholding in CIPL.

PROPERTY INVESTMENT

The Group's property investment business comprises a wide spectrum of different revenue-generating properties in Singapore, Australia and New Zealand such as shophouses, office and industrial properties.

In Singapore, Chip Eng Seng's key investment properties include CES Centre, a leasehold office building in Chin Swee Road, where the Group's head office is currently located, as well as a leasehold light industrial building at Ubi Crescent.

GEOGRAPHICAL REACH



CHINA

 Property Development

 Education



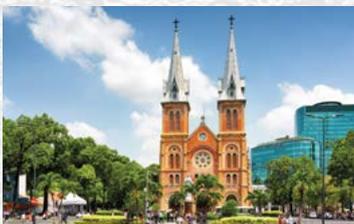
HONG KONG

 Education



CAMBODIA

 Education



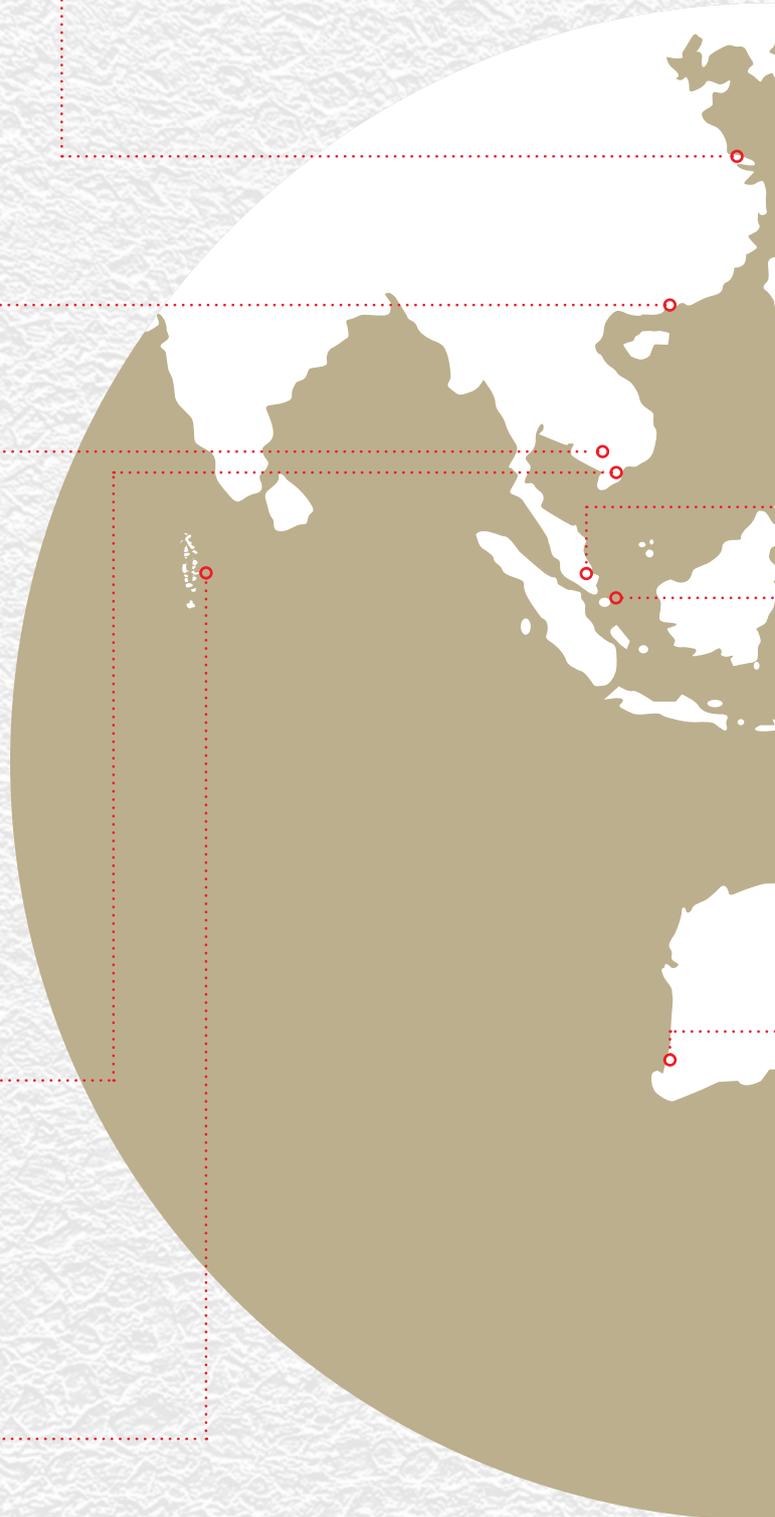
VIETNAM

 Property Development



MALDIVES

 Hospitality





MALAYSIA

-  Fabrication of Precast Component
-  Education



SINGAPORE

-  Building Construction
-  Finishing of Prefabricated Bath Units
-  Hospitality
-  Property Development
-  Property Investment
-  Education
-  Infrastructure and Civil Engineering



AUSTRALIA

-  Property Development
-  Property Investment
-  Hospitality
-  Education



NEW ZEALAND

-  Property Investment



DEEPENING FOOTPRINT, STAYING STRATEGIC

We invest for the long-term development of our business and reinvent ourselves continually to deliver sustainable growth.



Toa Payoh Bidadari C6 & C7

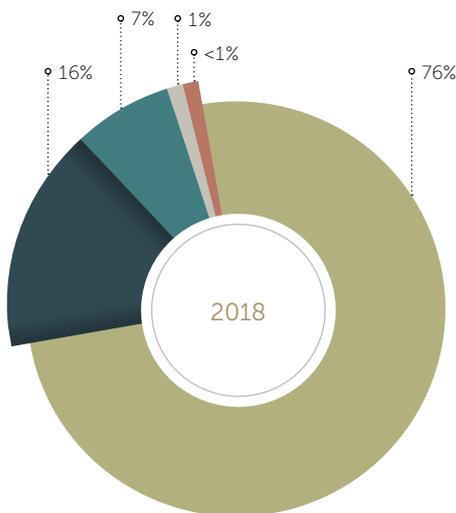
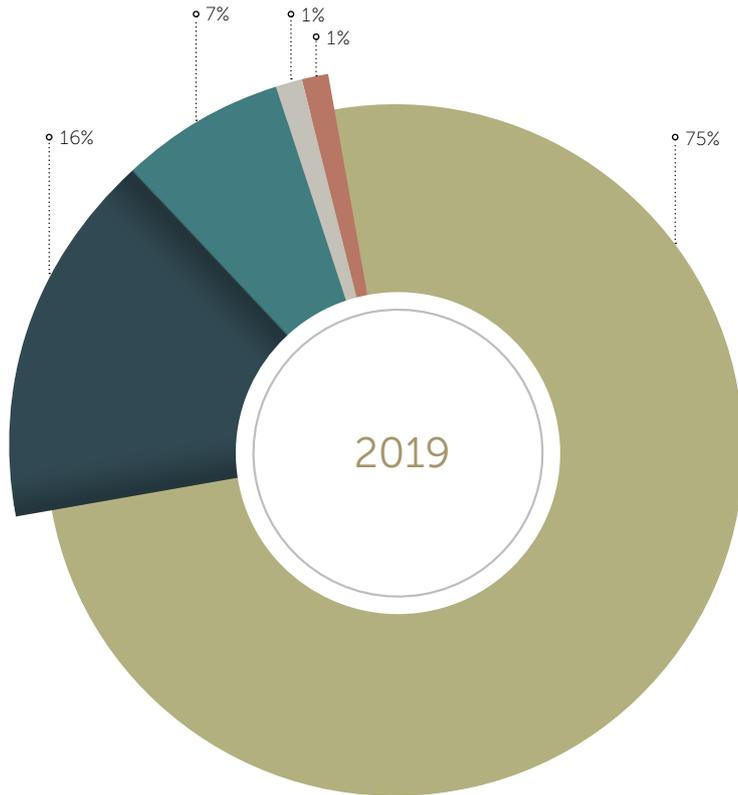




Artist's Impression of Parc Komo

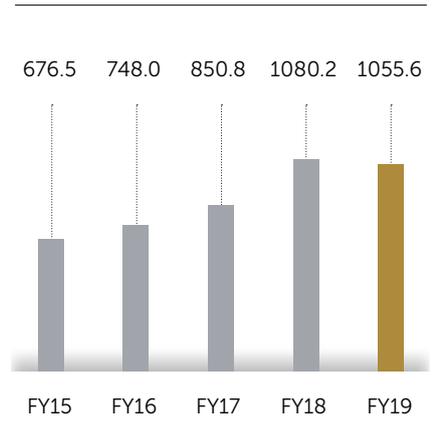
FINANCIAL HIGHLIGHTS

REVENUE BY BUSINESS SEGMENT

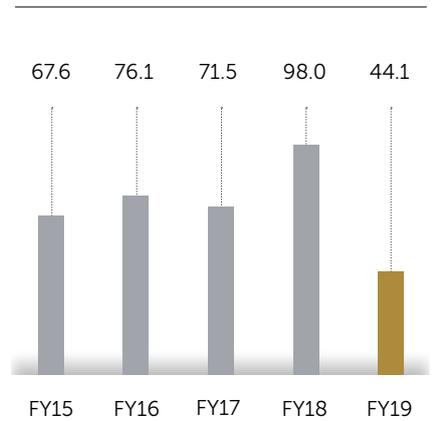


- ▶ Property Development
- ▶ Construction
- ▶ Hospitality
- ▶ Property Investment & Others
- ▶ Education

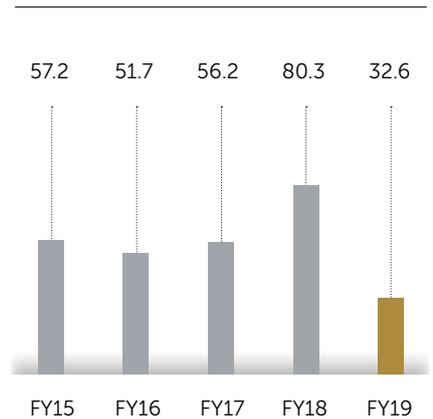
Turnover (\$ Million)



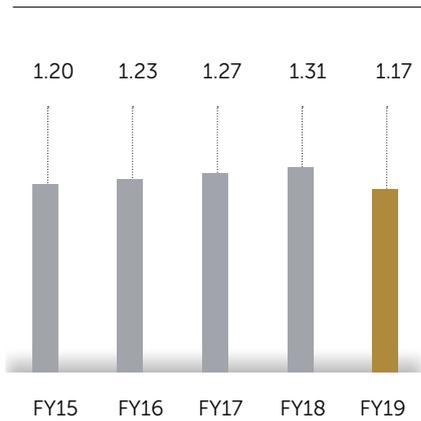
Profit Before Tax (\$ Million)



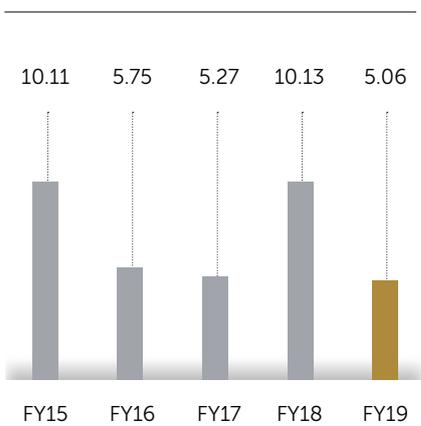
Profit After Tax (\$ Million)



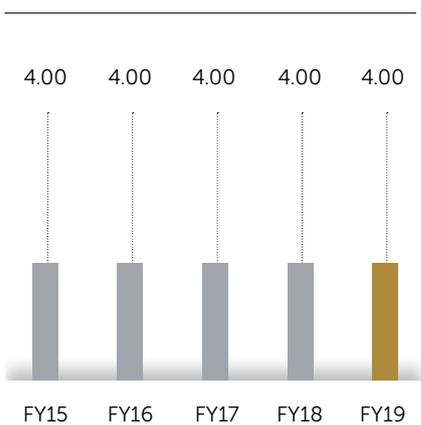
Net Asset Value Per Share (\$)



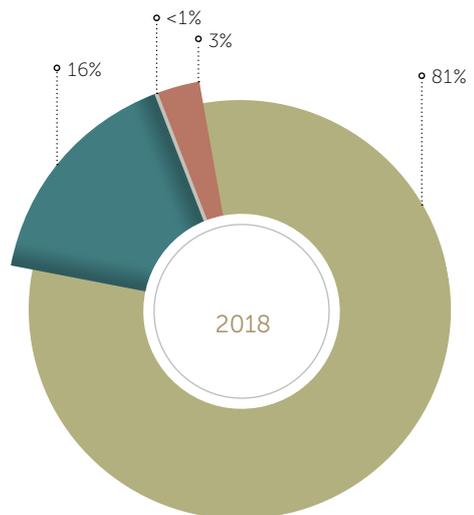
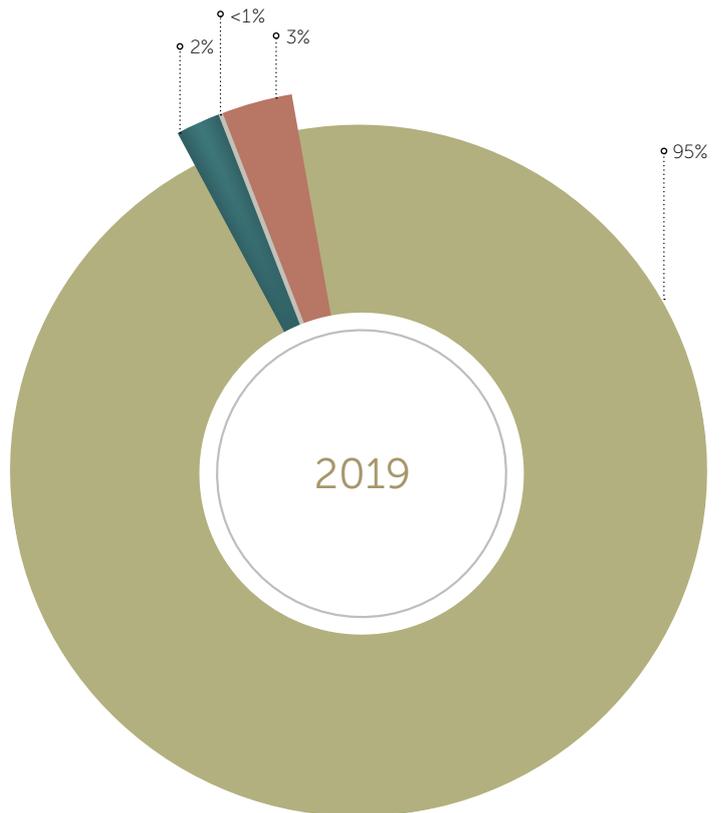
Earnings Per Share (Cents)



Dividend Per Share (Cents)



REVENUE BY GEOGRAPHICAL SEGMENT



- ▶ Singapore
- ▶ Australia
- ▶ Malaysia
- ▶ Maldives

FINANCIAL REVIEW



Parc Komo Construction Site

MODEST PROFIT, SECTORAL GROWTH

While the Group saw lower revenue contributions from its Property Development and Construction divisions in FY2019, its Hospitality and Education pillars offset this partially with their increased takings. Overall revenue came in at \$1.06 billion, a dip of 2.3% compared with \$1.08 billion in FY2018. Gross profit slipped accordingly by 19.6% to \$194.9 million from \$242.4 million the previous year.

With other incomes and expenses factored in, a pre-tax profit of \$44.1 million was registered – a drop of 55.1% from \$98 million in FY2018. Interest income and other income, such as rental income from non-investment holding companies and fair value gain on investment properties rose, but expenses also grew, especially finance costs.

Income tax fell by 35.4%, but not enough to offset the drop in gross profit, so net profit shrank 59.4% to \$32.6 million from \$80.3 million in FY2018.

A segmental review shows the Group's Property Development division taking in \$792 million in 2019, down 4.4% year-on-year. This was mainly because of lower contributions from Williamsons Estate in Doncaster, Melbourne, completed in 2Q2018, and from High Park Residences, finished in 1Q2019. Additionally, disposal of 150 Queen Street in Melbourne and 242 West Coast Highway, Scarborough, in Western Australia contributed to higher revenue in FY2018. The contraction in revenue was however partially offset by progressive revenue recognition from Grandeur Park Residences and Park Colonial, both in Singapore.

Revenue from the Group's Construction division also dipped 3.2% to \$164.4 million from \$169.9 million. Lower revenue recognised from Tampines N6C1A/1B, Woodlands N1C26 & N1C27 and Bidadari C6 & C7 accounted for this, but this drop was partially offset by revenue recognised from Yishun G27A, Bidadari C8 & C9, Sengkang N4C39 & C40 and Precast projects.

Better news emerged from the Group's Hospitality division which revenue grew 9.1% to \$78.2 million from \$71.7 million in FY2018. This was mainly attributable to improved showings from Grand Park Kodhipparu Resort in the Maldives and Park Hotel Alexandra in Singapore, and a full-year contribution from the Mercure & Ibis Styles Grosvenor Hotel in Adelaide, South Australia, which the Group acquired in March 2018.

Still the new kid on the block, the Group's Education business yielded a revenue of \$13.8 million, compared with \$2.6 million in FY2018 when it was in its infancy. This revenue came from White Lodge preschools, the Group's first Repton Schoolhouse and its newly acquired Invictus International School and Excelsior International School in Johor Bahru, Malaysia.

The Group's Property Investment & Others division meanwhile recorded a revenue drop of 2.7% from \$7.5 million to \$7.3 million, mainly because of lower occupancy at CES Centre in Singapore, which houses the Group's Corporate Office.

OPERATING EXPENSES

Operating expenses of the Group edged up 6.7% from \$158.7 million to \$169.3 million, mainly due to higher finance costs that leapt by 16.9% from \$50.4 million to \$58.9 million. The rise was due to higher borrowing costs on development expenditure. Administrative costs also added up to 2.4% more, reaching \$96.5 million from \$94.2 million in the previous year. However, marketing and distribution costs fell marginally by 1.5% from \$14.1 million to \$13.9 million.

BALANCE SHEET REVIEW

Investment Properties

The Group's investment properties totalled \$305.5 million, compared with \$250.6 million in FY2018. This was because the retail component of Parc Komo, Komo Shoppes was transferred from development properties to investment properties and there was also fair value gain on investment properties.

Development Properties

Correspondingly, the total value of development properties fell marginally from \$1.41 billion to \$1.37 billion mainly because of the transfer of Komo Shoppes to investment properties, but also because of the progressive sale of Park Colonial and Grandeur Park Residences. The decrease was partially offset by the acquisition of the Kampong Java site in April 2019.

Property, Plant and Equipment

On the other hand, the Group's property, plant and equipment grew in value to \$467.1 million from \$364.2 million. One reason was the recognition of right-of-use assets from its lease commitments following the adoption of SFRS (I) ("Singapore Financial Reporting Standards (International)") 16 *Leases* that took effect from 1 January 2019. The acquisition of the Excelsior International School site in Johor Bahru, Malaysia, also contributed to the rise.

Trade and Other Receivables

Current trade and other receivables jumped to \$176.3 million from \$123.4 million mainly because of progress billings receivable from buyers of High Park Residences, which has been issued the Temporary Occupation Permit.

Cash and Cash Equivalents

The Group also saw its overall cash and short-term deposits increase to \$378.5 million from \$342.6 million in FY2018.

Borrowings

Current and non-current loans and borrowings for the Group decreased to \$1.80 billion from \$1.81 billion because it repaid bank loans. However, the drop was partially offset by the issuance of term notes and financing the Group obtained for development projects and working capital.

Trade and Other Payables

Current trade and other payables liabilities increased to \$87.7 million from \$64.8 million mainly because of trade payables from the acquired CES_SDC. Non-current trade and other payables for the Group also rose to \$166.3 million from \$140.7 million due to an advance payment a customer made for a construction project and a higher amount due from its non-controlling interest in a development project.

Net Current Assets

Net current assets of the Group slid \$155.9 million from \$2.05 billion to \$1.89 billion during FY2019 mainly because certain long-term loans were reclassified as current liabilities.

Shareholders' Equity

The Group's total shareholders' equity edged up to \$947.3 million from \$874.1 million after factoring in proceeds from the issuance of new shares of \$96.3 million, a net profit of \$32.6 million for FY2019, and dividend payments of \$54.2 million, which include non-controlling interests. Due to lower borrowings and higher equity, the Group's net debt-to-equity ratio stood at 1.50 as at 31 December 2019, an improvement over the ratio of 1.68 as at 31 December 2018.

OPERATIONS REVIEW

PROPERTY DEVELOPMENT

Revenue from this division recorded a 4.4% year-on-year fall to \$792 million from \$828.6 million in FY2018.

Singapore

Data from the Urban Redevelopment Authority shows that cooling measures the Government introduced in July 2018 led to private residential property prices edging just 2.7% upwards in 2019, compared with a climb of 7.9% in 2018.

While developers sold 8,795 private residential units and launched 8,769 units in 2018, they offloaded 9,912 units and put 11,345 units on the market in 2019. The number of still-to-be finished private residential units – again excluding executive condominiums – stood at 49,173 as at 31 December 2019, with 30,162 units of these yet to be sold.

Growing uncertainties in the global economic outlook and the recent COVID-19 pandemic have dampened market sentiment and could impact property prices and the take-up rate of property launches. The Group will use a competitive pricing strategy in response while remaining discerning in replenishing its land bank.

On the positive side, the sale of Park Colonial units has increased from 70.2% to 89.1% since the Group's FY2018 results while the take-up rate for Parc Komo is 41.7% since its launch in May 2019. Sales for Grandeur Park Residences have improved slightly to 97.8%.

The Group will be monitoring the COVID-19 pandemic situation closely before deciding on the launch date for its next residential development, Kopar at Newton.

Australia

There were lower contributions from the Group's Williamsons Estate in Doncaster, Melbourne, which was completed in 2Q2018. Meanwhile, 150 Queen Street in Melbourne and 242 West Coast Highway in Scarborough, Western Australia, have been sold and no longer generated any revenue.

Home prices in Australia edged up 2.3% in 2019, according to property consultant CoreLogic. Of the major cities, Melbourne and Sydney, with an increase of 5.3%, continued to lead this growth.

CONSTRUCTION

The acquisition of construction and engineering company, CES_SDC Pte. Ltd., led to the Group's order book hitting \$591.2 million as of



31 December 2019, compared with \$425.5 million announced in 4Q2018. This figure does not include the recently awarded Land Transport Authority contract to design and construct Gek Poh Station and Tawas Station and two associated viaducts for the Jurong Region Line. The contract is valued at about \$226.6 million. Furthermore, the order book figure also excluded a Housing and Development Board contract Tampines Neighbourhood 8 Contract 31 worth \$98.7 million and a \$433 million contract to construct biosolids treatment and biogas handling facilities for Tuas water reclamation plant, which were awarded to the Group in March 2020.

According to projections by the Building and Construction Authority, construction demand in 2020 will be between \$28 billion and \$33

billion. Public sector infrastructure projects, such as the Integrated Waste Management Facility, infrastructure works for Changi Airport Terminal 5, Jurong Region MRT Line and Cross Island MRT Line, are expected to account for 60% of this. Leveraging on CES_SDC's good track record in civil and infrastructure projects, the Group will actively bid for such projects in Singapore.

On the public housing front, the Housing and Development Board is aiming to launch 16,000 to 17,000 Build-To-Order flats in 2020. In 2019, the corresponding figure was 14,600 units. Barring unforeseen circumstances, the Group feels optimistically poised to reap some benefits from the expected construction demand.

HOSPITALITY

Improved performances from the Group's Grand Park Kodhipparu Resort in the Maldives and Park Hotel Alexandra in Singapore, plus a full-year contribution from the Mercure & Ibis Styles Grosvenor Hotel in Adelaide, South Australia, increased revenue from the Group's Hospitality division by 9.1% to \$78.2 million in FY2019.

In August 2019, the Group announced it would redevelop its site at 51, Pirie Street in Adelaide, South Australia, into a new Hyatt Regency Hotel. It had acquired the site in FY2018. In December, the Group entered into a sales and purchase agreement to acquire the remaining lease of a lagoon in the Maldives' North Malé Atoll for development into a five-star resort. This will be the Group's second hospitality venture in the Maldives.

Property
Development Division
Park Colonial
89.3%
sold as at
9 March 2020

Construction Division
Awarded a
\$98.7m
HDB contract at
Tampines N8C31



The Perse School Singapore

OPERATIONS REVIEW (cont'd)



Grandeur Park Residences

Despite its robust performance in FY2019, dark clouds loom for the division in the coming year as the COVID-19 pandemic is expected to affect tourism in the region adversely. Already, the Group's hotels in Singapore, Australia and the Maldives have seen many booking cancellations since the end of January 2020. Occupancy rates may plummet in the next few months if the pandemic persists.

PROPERTY INVESTMENT AND OTHERS

Revenue from the Group's Property Investment and Others division slipped 2.7% from \$7.5 million to \$7.3 million mainly due to lower occupancy at CES Centre in Singapore.

Overall the Group's investment properties in Singapore and Australia, which include commercial properties, an industrial building and several shophouses, continue to generate income, with yields remaining stable.

As in previous years, a Grade A office building at 205 Queen Street, Auckland, New Zealand, acquired in FY2017, remains a contributor to the Group's results. This property, with two commercial towers and a retail podium, is situated within Auckland's central business district and is close to prominent city landmarks.

EDUCATION

The Group actively expanded this new sector, added in FY2018, with the completion of an initial investment in Invictus International School Pte. Ltd. in April. It bolstered this stake further in August to an effective interest of 55.4%. Additionally, it agreed to collaborate with The Perse School Cambridge International to set up an elementary school in Singapore, and also proposed the acquisition of a childcare centre business in Tarneit in Australia's Victoria state.

In July, the Group completed an initial investment of almost 35% share in Guangzhou Yuanda Information Development Co., Ltd and, in November, it finalised an investment in Amdon Consulting Pte Ltd, a provider of interactive content and inquiry-based pedagogical resources.

Excelsior International School, on the site of Raffles Campus in Johor Bahru, Malaysia, was acquired in December and plans for its upgrade and rebranding are being drawn up by the Group.

Meanwhile, Invictus Kindergarten and Invictus Primary School in Hong Kong have commenced operations in March 2020. In Cambodia, preparations are underway to open Invictus International School in Phnom Penh before the end of 2Q2020. In Singapore, Invictus International School Pte. Ltd. has entered into a long-term lease to set up a new campus for children in grades 1 to 12 in Centrium Square.

Likewise for the hospitality sector, the COVID-19 pandemic is expected to impact the marketing and growth plans of the Group's education business negatively if it persists.



Repton Schoolhouse Bukit Timah



GROWING POTENTIAL, ENABLING MORE

By innovating and being open to opportunities, these qualities enable us to fortify ourselves and move ahead. With strong leadership and investing in our talent, we build a stronger company for the future.



Invictus International School - Sentosa





BOARD OF DIRECTORS

MRS CELINE TANG

Non-Executive Chairman

Non-Independent and Non-Executive Director

Mrs Celine Tang was appointed as the Non-Executive Chairman and Non-Independent and Non-Executive Director of the Company on 11 October 2018. Mrs Tang is currently the Group Managing Director of SGX-listed company, SingHaiyi Group Ltd. She also holds the position of Non-Executive Chairman at OKH Global Ltd, an integrated property developer focused on logistics and industrial properties, listed on the Mainboard of the Singapore Exchange. She is also a Director of American Pacific International Capital, Inc. (APIC), a diversified international investment holding company with businesses throughout the US and China.

Mrs Tang has served as the Executive Director of Tang Dynasty Pte Ltd since its inception in 1995 and has been instrumental in growing the trading and investment company. She was also previously the Assistant Judicial Officer of Shantou Longhu District Court in China. She graduated with a Bachelor's Degree in Literature from China People's University for Police Officers (now known as People's Public Security University of China). Mrs Tang is the spouse of Mr Gordon Tang, founder of Haiyi Holdings, who is an esteemed entrepreneur with a stellar track record in real estate and investments and a philanthropist who actively drives sports-related charity activities.

Possessing a strong belief in giving back to the society, Mrs Tang sponsors student scholarships and grants, as well as supports activities in several Singapore schools such as West Spring Secondary, Juying Secondary School and Crest Secondary School. She also sits as a member of the Advisory Committee of Juying Secondary School. In addition, Mr and Mrs Tang are the owners of Aloha Sea Sports Club, which rents out equipment for water sports and conducts a wide range of water sport courses. All profits generated from the centre are donated for the development of sailing in Singapore.

MR CHIA LEE MENG RAYMOND ^{PBM}

Executive Director and Group Chief Executive Officer

Mr Chia Lee Meng Raymond was appointed Group Chief Executive Officer in February 2016.

He is responsible for the Group's overall operations, strategic planning and investment decisions. Starting out as a project manager back in 1994, Mr Chia rose through the ranks and was appointed the Group's Director the year Chip Eng Seng went public. He served as Managing Director of the property development division in July 2006, before being appointed Group Chief Executive Officer in June 2007 and Executive Deputy Chairman in January 2013. Outside the Group, Mr Chia was Chairman of Seacare Properties Pte Ltd.

He is also a patron of the Nee Soon South Citizens' Consultative Committee. Mr Chia was awarded The Public Service Stars PBM in 2013 for public service rendered to the nation. He holds a Bachelor's degree in Economics and Finance from Curtin University and a Master's degree in Finance from RMIT.

MR TAN TEE HOW

Executive Director

Mr Tan Tee How joined the Board on 2 February 2018 as Executive Director. Prior to this, Mr Tan had served 34 years in the Singapore Administrative Service, holding various key appointments, including Principal Private Secretary to then-PM Goh Chok Tong (1997 to 2000) and founding CEO of National Healthcare Group (2000 to 2004). He was Permanent Secretary of the Ministry of National Development (2004 to 2011) and of the Ministry of Home Affairs (2011 to 2014). He was also Commissioner of Inland Revenue and concurrently CEO of IRAS (2014 to 2018). Mr Tan is currently Chairman of the Casino Regulatory Authority, Deputy Chairman of the National Healthcare Group, Independent Director of Hong Leong Finance Ltd and a member of the Panel of Experts, Singapore Cooperation Enterprise. He holds a Bachelor of Business Administration (Hons) degree from the National University of Singapore and a Master of Public Administration degree from Harvard University. He attended the Wharton Business School Advanced Management Programme in 2002.

MR YAM AH MEE**Non-Independent and Non-Executive Director**

Mr Yam Ah Mee was appointed Non-Independent and Non-Executive Director of the Company on 12 December 2019. Mr Yam is the CEO of CES_SDC Pte. Ltd. Previously, he held senior public sector responsibilities as the Chief of Staff, RSAF; Deputy Secretary, Public Service Division, PMO; CEO/Dean of Civil Service College; Deputy Secretary; Air & Sea of Ministry of Transport; CEO of Land Transport Authority and CEO of People's Association. Mr Yam was also The Returning Officer, Singapore.

Mr Yam holds a Bachelor of Engineering (First-Class Honours) from University of New South Wales, Australia, a Master of Business Administration from the National University of Singapore, and a Master of Public Administration from Harvard University, United States of America. He also attended the Harvard Business School Advanced Management Programme from Harvard University, United States of America and is a Fellow member of the Society of Project Managers Singapore.

Mr Yam was awarded the NUS Eminent Business Alumni Award 2012, Public Administration Medal (Gold) 2008, Public Administration Medal (Silver) (Military) 1992, Lucius N Littauer Fellow Award (Harvard) 1991, Andover Prize Award at RAF, United Kingdom, 1986 and The Queen's Medal at Royal Military College, Duntroon, Australia, 1980.

MR ANG MONG SENG ^{BBM}**Lead Independent Director**

Mr Ang Mong Seng was appointed the Group's Lead Independent Director in November 2015 and has been on the Board since March 2003. On the Board, he chairs the Remuneration Committee and is a member of the Investment Committee and Nominating Committee. Mr Ang has more than 30 years of experience in estate management and is a former Member of Parliament for Hong Kah GRC (Bukit Gombak). He also serves as an Independent and Non-Executive Director in various other public listed companies.

MR ABDUL JABBAR BIN KARAM DIN**Independent Director**

Mr Abdul Jabbar joined the Board on 2 February 2018 as an Independent Director. He is a member of the Audit and Risk Committee, Remuneration Committee and Nominating Committee. An Executive Committee Partner with Rajah and Tann Singapore LLP, Mr Jabbar heads the firm's Corporate and Transactional Practice. He has more than 20 years' extensive experience in mergers and acquisitions, joint ventures, employment, banking and finance, general commercial and private client work, both local and international. Mr Jabbar also advises companies on corporate governance, compliance and regulatory matters. He serves as company secretary on the boards of numerous private and public listed and unlisted companies as well as registered foreign companies with Singapore branches. He graduated from the National University of Singapore with a Bachelor of Laws (Hons) degree.

BOARD OF DIRECTORS (cont'd)

MR LOCK WAI HAN

Independent Director

Mr Lock Wai Han was appointed Independent Director of the Company on 11 October 2018. He is a member of the Audit and Risk Committee and Nominating Committee. He is currently Executive Director and Chief Executive Officer of SGX-listed company, OKH Global Ltd. From 1 November 2013 to 31 December 2015, Mr Lock was Executive Director and Group CEO of Rowsley Ltd. Between June 2011 and August 2013, he was based in Beijing as the China CEO of CapitaMalls Asia ("CMA"), where he had oversight of a retail mall portfolio that included Raffles City projects and CMA mixed developments. Before joining CMA in March 2010, he had served in the Singapore public sector for more than 20 years during which he held various leadership roles, including Commissioner of the Immigration & Checkpoints Authority, Director of the Criminal Investigations Department, and Deputy Secretary of the Ministry of Information, Communications & the Arts, as well as directorships on various statutory boards.

Mr Lock holds Bachelor and Master of Arts (Engineering) degrees from the University of Cambridge, UK, and a Master of Science (Management) degree from Leland Stanford Junior University, United States of America.

PROF LOW TECK SENG

Independent Director

Prof Low Teck Seng was appointed Independent Director of the Company on 12 December 2019. He chairs the Investment Committee and is a member of the Remuneration Committee and Nominating Committee. He is currently the CEO of the National Research Foundation, Singapore. He also serves as an Independent Director at ISEC Healthcare Ltd. and ExcelPoint Technology Ltd, and is a professor at Nanyang Technological University, Singapore and National University of Singapore. Prof Low holds a Bachelor of Science (Electrical and Electronic Engineering) (First Class Honours) and a PhD from the University of Southampton, UK. He is a Fellow of the Singapore Academy of Engineers; Fellow of the IEEE and International Fellow of the Royal Academy of Engineers, UK.

DR NEO BOON SIONG

Independent Director

Dr Neo Boon Siong was appointed Independent Director of the Company on 12 December 2019. He chairs the Audit and Risk Committee. He was the CANON Endowed Chair Professor of Business and twice served as Dean of the Nanyang Business School at the Nanyang Technological University, Singapore. Dr Neo currently serves as Director on the Board of Keppel Telecommunications & Transportation Ltd, the Audit Committee of St Luke's Hospital, and the Human Resource Committee of St Luke's Eldercare. He was previously the Chairman of k1 Ventures Ltd and served as Director of OCBC Bank, Great Eastern Holdings Ltd, OUE Hospitality Trust Ltd among several other companies. He holds a Bachelor of Accountancy (Honours) from National University of Singapore, Master of Business Administration and PhD from University of Pittsburgh, United States of America.

PROF YAACOB BIN IBRAHIM

Independent Director

Prof Yaacob was appointed Independent Director of the Company on 20 February 2020. He chairs the Nominating Committee and is a member of the Audit and Risk Committee.

Prof Yaacob is currently a Professor of Engineering at the Singapore Institute of Technology (SIT) where he is also Advisor to the President of SIT.

Prior to his current position, Prof Yaacob served as a Minister in the Ministries of Communications and Information (2011 – 2018), Environment and Water Resources (2004 – 2011) and Community Development and Sports (2002 – 2004). Throughout the 16 years as a Minister, he was also Minister-in-charge of Muslim Affairs. He started his political career as a Member of Parliament (MP) in Jalan Besar GRC on 2 January 1997. He held several political appointments before becoming a minister in 2002.

Prof Yaacob graduated from the University of Singapore with a degree in Civil Engineering in 1980. He worked as a structural engineer with a multinational engineering consulting firm from 1980 to 1984. He pursued his Ph.D at Stanford University from 1984 and graduated in 1989. He spent two years as a post-doctoral fellow at Cornell University. He joined the National University of Singapore as a faculty member in 1990 where he became a tenured member. He took a leave of absence from NUS from July 1998 till his resignation from NUS in August 2018.

He is currently on the Board of Trustees for the Building Construction and Timber Industries Employees' Union (BATU), and a Board Member of Surbana Jurong. He is also an Advisor to IMDA's Kampong Glam Digitalisation Project.

He is currently an MP for Jalan Besar GRC.

EXECUTIVE OFFICERS

MR LAW CHEONG YAN

Chief Financial Officer

Mr Law Cheong Yan joined the Group as Chief Financial Officer in August 2013. In his current role, he leads the Group in a multitude of functions comprising financial and management accounting, taxation, treasury, as well as investor relations. Prior to joining Chip Eng Seng, Mr Law spent more than nine years in China and the US managing the businesses of several Singapore companies' overseas subsidiaries. Mr Law was also the Group's Financial Controller for the period from June 1999 to February 2004, and an auditor with an international accounting firm from September 1995 to June 1999. Mr Law holds a Bachelor of Accountancy (Hons) degree from Nanyang Technological University. He is also a member of ISCA and CPA Australia and serves as an independent director of Dynamic Colours Limited.

MR YEO SIANG THONG

Managing Director of Building Construction Division

Mr Yeo Siang Thong joined the Group in August 2017 as Managing Director of the Building Construction Division. His responsibilities include business development and advising on the strategic operations of the division. To date, Mr Yeo has more than 25 years of experience in the construction industry. He helmed the Group's Building Construction Division in the capacities of General Manager from July 1998 to January 2007 and Managing Director. In addition, Mr Yeo was also Executive Director of Chip Eng Seng Corporation Ltd from September 1999 to August 2006. Prior to joining the Group, Mr Yeo had served as Vice-President of Sembawang Engineers and Constructors Pte Ltd, and held several other senior managerial positions in HDB and JTC International Pte Ltd. He holds a Civil Engineering (Hons) degree and a Master of Science (Civil Engineering) degree from the National University of Singapore. He is also a Registered Professional Engineer with the Professional Engineers Board.

MR YOONG SHAW LEONG

Managing Director of Precast Division

Mr Yoong joined the Group in April 2018 as Managing Director of the Precast Division. His responsibilities include business development and operations of the division. Mr Yoong has more than 27 years' experience in structural engineering and construction management works.

Prior to joining the Group, Mr Yoong was a Director of RSP Architects & Engineers (Pte) Ltd where he led a multidisciplinary engineering team involved in the design and construction of a wide range of projects, including Westgate, Sentosa Intra-Island Cableway, Chinese Cultural Centre, Changi Airport Terminal 2 Upgrading, Terminal 1 Expansion, and Rihga Royal Hotel in East Malaysia. Mr Yoong is a Registered Professional Engineer with the Professional Engineer Board and a member of the Institute of Engineers, Singapore and the Singapore Structural Steel Society. He has a Bachelor of Engineering degree (Civil) from the National University of Singapore.

MR MICHAEL NG

Executive Director of CEL Development Pte Ltd

Mr Michael Ng joined the Group in January 2017. He is responsible for the Group's Property Development and Investment Divisions.

Prior to joining Chip Eng Seng, Mr Ng was Group General Manager of United Industrial Corporation Limited and Singapore Land Limited where he managed the diversified real estate investments and developments of the group in Singapore, China and UK.

He was Managing Director of Savills Singapore from 2005 to 2010, where he spearheaded a turnaround of its operations. Mr Ng was Managing Director of UK owned Hamptons International in Singapore from 2001. He subsequently led a management buyout of the Singapore office and expanded the business successfully before selling the operations to Savills Singapore in December 2004. He was also a founding shareholder of Huttons Real Estate in 2002. From 1995 to 2001, Mr Ng headed the property arm of COSCO Singapore, a China state-owned

maritime group, handling its real estate development, investments, acquisitions, project management and asset management. Some of the projects included commercial, retail and residential developments and investments in Singapore, other parts of Southeast Asia and China. The early part of his career was with Richard Ellis (now known as CBRE) from 1988 to 2004 where he honed his acumen in asset management, real estate investment advisory and marketing.

He was a panel member of the Strata Titles Boards, under the Ministry of Law from 1999 to 2008. Mr Ng holds Bachelor of Science (Hons) degree in Estate Management from the National University of Singapore and has been in the real estate industry for over 30 years.

MS LIM SOCK JOO

Executive Director of CEL Development Pte Ltd

Ms Lim Sock Joo is Executive Director of the Group's Property Development and Hospitality Divisions. Her responsibilities include the day-to-day management of the divisions' operations, as well as their sales and marketing needs. Ms Lim first joined the Construction Division in 1993, as an administrative and finance executive, responsible for accounting, administration and human resource matters. Her role was enlarged to include the sales and marketing of the Property Development Division and overseeing the hospitality division following her appointment as Executive Director in July 2013. Ms Lim holds a Bachelor's degree in Business (Accounting) from the Curtin University of Technology, Australia.

OTHER OFFICERS

Corporate

Mr Ang Kang Hai
Chief Human Resource Officer

Ms Goh Gin Nee
General Counsel & Joint Company Secretary

Construction

Mr Liew Choong San
Vice President (Projects) & Managing Director (Designate)

Property Development and Investment

Mr Lee Yee-Seng Robert
Executive Director (Australia)

Mr Ho Siew Keong Kenneth
General Manager (Vietnam & China)

Education

Dr Koh Thiam Seng
Executive Vice President

PROJECTS PORTFOLIO

CONSTRUCTION

Major On-Going Projects in 2019

Project	Description	Owner
Toa Payoh Bidadari Contract 6 & Contract 7	Building works of 16 blocks of residential building	HDB
Bidadari Contract 8 & Contract 9	Building works of 8 blocks of residential building	HDB
Grandeur Park Residences at New Upper Changi Road	Building works of 720 residential condominium units and 2 retail outlets	CEL-Changi Pte. Ltd.
Sengkang Neighbourhood 4 Contract 39 & Contract 40	Design and construction of public housing at Sengkang	HDB
Design and Build of Upgrading Projecs For G27A	Upgrading projects for 2 precincts at Yishun Ring Road and 1 precinct at Yishun Street 61	HDB
Parc Komo at Upper Changi Road North	Building works of 7 blocks of 5 storey residential flats and 3 blocks of 5-storey building for commercial use at 1st and 2nd storey and residential use from 3rd to 5th storey (total 276 residential units)	CEL Real Estate Development Pte. Ltd.
CAG Package 2	Proposed Development of Changi East to Effect 3 Runway Operations at Singapore Changi Airport – Package 2	Changi Airport Group
Contract T227	Construction of Marina South Station and Tunnels for Thomson Line	Land Transport Authority (LTA)
Contract C22A	Changi Water Reclamation Plant Phase 2 – Foundation Works for Train 5	Public Utilities Board
Tampines Neighbourhood 8 Contract 31	Building works of 6 blocks of residential building connecting linkways and linkbridges, a multi-storey car park, precinct pavilions, a roof garden and a childcare centre.	HDB
Contract J107	Design and construction of Gek Poh Station, Tawas Station and two associated viaducts for Jurong Regional Line	LTA
Contract 4A	Biosolids treatment and biogas handling facilities for Tuas water reclamation plant	PUB



Toa Payoh Bidadari C6 & C7

PROPERTY DEVELOPMENT

Project Completed in 2019

Project	Location	Description	No. of Units	Tenure
High Park Residences	Fernvale Road	Condominium	1,399	99 years

Development Projects under Construction

Project	Location	Description	No. of Units	Tenure	Stage of Completion / Expected Year of Completion	Site Area (SQ Metre)	Estimated Gross Floor Area (SQ Metre)	% Owned
Grandeur Park Residences	Bedok South Avenue 3, Singapore	Condominium	722	99 years	89% / 2020	24,394	51,228	100%
Park Colonial	Woodleigh Lane, Singapore	Condominium	805	99 years	47% / 2021	19,547	58,642	60%
Fifteen85	15 - 85 Gladstone Street, South Melbourne, Victoria, Australia	Residential apartment	704	Freehold	0% / 2021 to 2024	5,984	83,200	100%
Parc Komo	Upper Changi Road North	Condominium	276	Freehold	3% / 2022	18,755	23,192	100%

Projects in the Pipeline

Project	Location	Description	No. of Units	Tenure	Expected TOP
Kopar at Newton	Kampong Java Road, Singapore	Condominium	378	99 years	2023
The Lyall South Perth	31 Labouchere Road and 24 Lyall Street South Perth, Western Australia	Residential apartment, commercial & retail	99	Freehold	2023
Northcote	217 and 221 - 223 Separation Street, Northcote, Victoria, Australia	Residential apartment	@	Freehold	@

@ In planning stage

PROJECTS PORTFOLIO (cont'd)

INVESTMENT PROPERTIES

Description	Location	Tenure	Existing Use	Unexpired Lease Terms	% Owned
Two adjoining units of three-storey shophouses	86, 86A, 86B Tanjong Pagar Road, Singapore	99 years from 27 September 1988	Shops & offices	68 years	100%
A part two, part four-storey shophouses	161 Geylang Road, Singapore	99 years from 4 May 1993	Shops & offices	73 years	100%
Six-storey light industrial building with a basement carpark	69 Ubi Crescent, Singapore	60 years from 5 July 1997	Light industrial building	38 years	100%
Three adjoining units of two and a half-storey shophouse with a four-storey rear extension	115 Geylang Road, Singapore	Freehold	Boarding hotel	-	100%
Twelve-storey office building	171 Chin Swee Road, Singapore	99 years from 2 June 1969	Offices	49 years	100%
Strata Restaurant Property	1 Marco Polo Drive, Mandurah, Western Australia	Freehold	Tavern	-	100%
Two commercial towers of seventeen-storey and twenty two-storey and retail podium	205 Queen Street, Auckland, New Zealand	91 years from 18 June 1990	Office	62 years	50%
Two-storey building with basement commercial units	72 and 74-78 Hindley Street, Adelaide, South Australia	Freehold	Shops	-	100%
A commercial unit at Alexandra Central	321 Alexandra Road, #01-06, Singapore	99 years from 5 March 2012	Shop	92 years	100%

PROPERTY & PLANT

Description	Location	Tenure	Existing Use
Park Hotel Alexandra A 442-room 13-storey hotel	323 Alexandra Road, Singapore	99 years from March 2012	Hotel
The Sebel Mandurah A 84-room waterfront hotel	1 Marco Polo Drive, Mandurah, Australia	Freehold	Hotel
A single-user single- storey warehouse with a 4-storey ancillary office and temporary ancillary workers dormitory	2 Tuas South Street 8, Singapore	23 years from 26 December 2012	Construction workshop & dormitory
Property at Tuas Basin Close	11 Tuas Basin Close, Singapore	4 December 2017 to 31 December 2021	Offices, store & precast finishing works
A commercial unit at Alexandra Central	321 Alexandra Road #03-11, Singapore	99 years from 5 March 2021	Preschool
A freehold parcel of industrial land with a single- storey detached office building	No. PTO 102945, Jalan Idaman, Senai Industrial Park, Senai, Johor, Malaysia	Freehold	Precast plant
Mecure & Ibis Styles Grosvenor Hotel A 245-room 6-storey hotel	121-125 North Terrace, Adelaide, South Australia	Freehold	Hotel
Grand Park Kodhipparu Resort A 120-villa resort	Kaafu Atoll, Maldives	50 years from 30 September 2013	Hotel
Property at Johor, Malaysia	No 8 Jalan Purnama, Bandar Seri Alam 81750 Masai Johor Darul Takzim, Malaysia	Freehold	International school
Worker dormitory at Tanah Merah Coast Road	Lot 04962N Tanah Merah Coast Road, Singapore	1 November 2017 to 31 December 2022	Dormitory
Worker dormitory at Central Boulevard	Lot & MK/TS Nos. 00305C (PT) & 00321L (PT) TS 30	14 August 2015 to 30 December 2020	Dormitory
Hotel under development			Effective Interest
Proposed 295-room A 4.5-star hotel	51 Pirie Street, Adelaide, South Australia	Freehold	100%
Samarafushi lagoon A 5-star resort	Kaafu Atoll, Maldives	50 years from 9 August 2016	70%

SIGNIFICANT EVENTS

2019

JANUARY

- Opening of the first Repton preschool centre in Alexandra Central.
- Opening of a new White Lodge preschool and childcare centre along River Valley Road.
- Award of tender for a land parcel at Kampong Java Road for residential development at \$418.4 million.

FEBRUARY

- Announced proposed investment in Invictus International School Pte. Ltd.

MARCH

- Issuance of \$100 million 3-year 6% Notes due on 15 March 2022.

APRIL

- Completed investment in Invictus International School Pte. Ltd.
- Announced proposed investment in Guangzhou Yuanda Information Development Co., Ltd. via a subscription of new ordinary shares representing up to 35% of the share capital in a special-purpose vehicle in the Cayman Islands.

JUNE

- Announced Invictus International School Pte. Ltd.'s first overseas foray into the Hong Kong Special Administrative Region of the People's Republic of China ("Hong Kong") by setting up an international primary school and a kindergarten.
- Announced proposed investment in a real estate development project in Taicang City, The People's Republic of China at total investment sum of RMB 240 million, which the Group will have a 51% interest.

JULY

- Announced collaboration with The Perse School Cambridge International to establish an elementary school in Singapore.
- Completed the first closing for the 34.93% investment in Guangzhou Yuanda Information Development Co., Ltd for a subscription price of approximately US\$10.2 million.

AUGUST

- Announced proposed acquisition of the childcare centre business in Tarneit, Victoria, Australia for a purchase consideration of A\$3.5 million.
- Announced that the property located at 51 Pirie Street, Adelaide would be developed into a new Hyatt Regency.
- Announced further investment in Invictus International School Pte. Ltd. by acquiring approximately 10.15% of the issued share capital for a consideration of \$2.5 million and with grant of options to subscribe for 57,000 shares.
- Announced proposed renounceable underwritten rights issue of 156,503,515 rights shares at an issue price of \$0.63 for each right share on the basis of one rights share for every four existing shares.

SEPTEMBER

- Announced that Invictus International School Pte. Ltd. would be setting up a middle and high school in Hong Kong.

OCTOBER

- Announced proposed acquisition of 100% of the issued and paid up share capital of Sembcorp Design and Construction Pte. Ltd. (now renamed as CES_SDC Pte. Ltd.), a design and build construction service provider from Sembawang Corporation Limited.
- Announced proposed investment in Amdon Consulting Pte Ltd, a provider of interactive content and inquiry-based pedagogical resources for a purchase consideration of approximately \$5.4 million.
- Announced entry into a 70-30 joint venture with Tropical Developments Pte. Ltd. for the acquisition of the remaining leasehold interest of a lagoon in the Maldives, which is located in North Malé Atoll for development into a five-star resort for an initial amount of US\$10.0 million ("Initial Capital Commitment").
- Completed renounceable underwritten rights issue and raised a net proceeds of \$96.3 million.



NOVEMBER

- Completed investment in Amdon Consulting Pte Ltd.
- Granted options to subscribe for an additional 49,000 shares in Invictus International School Pte. Ltd.
- Increased ownership in Greenville Consultancy & Management (Shanghai) Co., Ltd. from 70% to 100%.

DECEMBER

- Acquired 100% of the issued and paid up capital of CES Education (Malaysia) Pte. Ltd., which owns and operates Excelsior International School in Johor, Malaysia.
- Completed acquisition of Sembcorp Design and Construction Pte. Ltd. (now renamed as CES_SDC Pte. Ltd.) for a final purchase consideration of \$50.1 million.
- Prof Low Teck Seng and Dr Neo Boon Siong joined the Company as non-executive and independent directors whilst Mr Yam Ah Mee joined as a non-executive and non-independent director.
- Announced that Invictus International School Pte. Ltd. would set up its first international school in Cambodia.
- Announced that the Group would subscribe for a convertible loan of US\$4.95 million of Cybint International Pte. Ltd., a service provider for innovative education and training solutions and services in cybersecurity.
- Announced entry into a sales and purchase agreement to acquire the remaining lease of a lagoon in the Maldives for a purchase consideration of US\$8.1 million from the Initial Capital Commitment.

JANUARY

- Disbursed US\$4.95 million to Cybint International Pte. Ltd. for subscription of the convertible loan.
- Completed acquisition of the lagoon in the Maldives.

FEBRUARY

- Awarded \$226.6 million Contract J107 by the Land Transport Authority to design and construct Gek Poh Station and Tawas Station and two associated viaducts for the Jurong Region Line (the "Contract").
- Prof Yaacob Bin Ibrahim joined the Group as a non-executive and independent director.
- Established investment committee and announced changes to other board committees.
- Announced cessation of quarterly reporting.

MARCH

- Awarded a \$98.7 million building works contract by the Housing & Development Board.
- Announced the opening of Invictus Schools in The Hong Kong Special Administrative Region of The People's Republic of China.
- Announced the proposed acquisition of a leasehold estate in the property located at 65 Teck Park Crescent.
- Announced the award of \$433 million contract to construct biosolids treatment and biogas handling facilities for Tuas water reclamation plant.

AWARDS & CERTIFICATIONS

2019

TYPE OF AWARDS	DESCRIPTION / AWARD
Commendation	WSH CultureSAFE (Certificate of Commendation) for Bidadari C8 & C9
Best of Category	LIAS (Landscape Industry Association Singapore) Award (Implementation – Residential Category) for Tampines GreenRidges (Tampines N6 C1A/1B)
Winner	HDB Construction Safety Award (Building Category) for Woodlands N1C26 & C27
Merit	HDB Construction Safety Award (Building Category) for Tampines N6 C1A/1B
Winner	HDB Construction Award for Tampines GreenRidges (Tampines N6 C1A/1B)
Winner	WSH SHARP Award for Grandeur Park Residence at New Upper Changi Road/Bedok South Avenue 3
Winner	WSH SHARP Award for Marsiling Greenview at Woodlands N1C26 & C27
Winner	WSH SHARP Award for Alkaff Oasis at Bidadari C6
Winner	WSH SHARP Award for Alkaff Oasis at Bidadari C7
Silver	WSH Performance Award for CES Engineering & Construction Pte Ltd
Bronze	SCAL WSH Innovation Award for CES Engineering & Construction Pte Ltd (Grandeur Park Residence) – “Smart MV Shaft Formwork”
Commendation	WSH CultureSAFE (Certificate of Commendation) for Bidadari C6/C7 Alkaff Oasis



Sengkang Neighbourhood 4 C39 & C40 Construction Site

CORPORATE SOCIAL RESPONSIBILITY

Chip Eng Seng adopts an ethical approach to conducting our business, which means taking into consideration the social, economic and environmental impact of how we operate. A key rationale to the Group's commitment in Corporate Social Responsibility (CSR) programmes is our desire to promote a sustainable living environment and improve the quality of life for our current and future generations. Our CSR activities have also helped to forge a stronger bond amongst our employees, customers and beneficiaries.

We have in consecutive years, been recognised by CONQUAS (Construction Quality Assessment System) of the Building and Construction Authority of Singapore for strict compliance in workmanship in accordance with their standards, and have in fact attained better results than the national average for the past decade. Additionally, we also advocate ISO 14001 & OHSAS 18001 for our environmental management system.

To instil in our employees a strong awareness in sustainable living, Chip Eng Seng has adopted a "Green and Gracious" policy to educate our employees in the construction segment on working consciously with a mind to mitigating any negative impact on the environment associated with their tasks at hand. We also regularly review all our projects – from building designs to materials and technologies used with a view to adopting more environmentally friendly practices.

In 2019, the Group had organised and/or participated in initiatives and programmes in conjunction with our community partners, with a focus on support for environmental, cultural arts, educational and healthcare organisations in Singapore. Through the financial sponsorship of various golf tournaments and events, we had contributed to the NUS School of Design & Environment Development Fund, Ren Ci Hospital, Compassion Fund Ltd, PAP Community Golf Tournament, the People's Association Community Club Building Fund, the Singapore Scout Association, RHT Rajan Menon Foundation, and Braddell Heights CCC Community Development Welfare Fund.

Our participation in or financial sponsorship of various functions also enabled us to contribute to Roxy Foundation / Community Foundation of Singapore Sharing and Caring for Families 2019,



Montfort Care, Singapore Symphony Group, SingHealth Fund – Singapore National Eye Centre (SNEC) Fund. We had also teamed up with the Singapore Organisation of Seaman (SOS) and Seacare Co-operative Ltd., to co-sponsor a Chinese New Year festive lunch for the senior citizens of Jalan Kukoh.

Besides providing financial support, we partnered with Rainbow Centre in organising a work experience programme at Park Hotel Alexandra for youths aged 17 and above to impart some basic skills and knowledge to them.

During the year, our staff volunteers supported autism groups such as the Rainbow Centre by taking part in activities aimed at raising awareness of autism in the community.

The Group also organised visits for 120 of its employees to several of Siem Reap's underprivileged families during the Group's corporate retreat in the city, with our employees taking the opportunity to donate essential items to them, including pre-loved clothing contributed by our employees during a donation drive leading up to corporate retreat.

Chip Eng Seng believes in paying it forward. This is why we give bursaries annually to deserving students who need financial help.

CORPORATE INFORMATION

FOUNDER AND HONORARY CHAIRMAN

Lim Tiam Seng ^{BBM}

NON-EXECUTIVE CHAIRMAN AND NON-INDEPENDENT AND NON-EXECUTIVE DIRECTOR

Celine Tang

EXECUTIVE DIRECTORS

Chia Lee Meng Raymond ^{PBM}

Executive Director and Group Chief Executive Officer

Tan Tee How

Executive Director

NON-EXECUTIVE AND NON-INDEPENDENT DIRECTOR

Yam Ah Mee

INDEPENDENT DIRECTORS

Ang Mong Seng ^{BBM} (Lead Independent Director)

Abdul Jabbar Bin Karam Din

Lock Wai Han

Low Teck Seng

Neo Boon Siong

Yaacob Bin Ibrahim

AUDIT AND RISK COMMITTEE

Neo Boon Siong (Chairman)

Abdul Jabbar Bin Karam Din

Lock Wai Han

Yaacob Bin Ibrahim

REMUNERATION COMMITTEE

Ang Mong Seng (Chairman)

Abdul Jabbar Bin Karam Din

Low Teck Seng

NOMINATING COMMITTEE

Yaacob Bin Ibrahim (Chairman)

Ang Mong Seng

Lock Wai Han

Low Teck Seng

INVESTMENT COMMITTEE

Low Teck Seng (Chairman)

Ang Mong Seng

Abdul Jabbar Bin Karam Din

SHARE REGISTRAR

RHT Corporate Advisory Pte Ltd

30 Cecil Street #19-08

Prudential Tower

Singapore 049712

REGISTERED OFFICE

171 Chin Swee Road

#12-01 CES Centre

Singapore 169877

Tel: 6801 0088

Fax: 6801 0038

Email: enquiry@chipengseng.com.sg

Website: www.chipengseng.com.sg

AUDITOR

Ernst & Young LLP

Public Accountants & Certified Public Accountants

One Raffles Quay

North Tower Level 18

Singapore 048583

AUDIT-PARTNER-IN-CHARGE

Nelson Chen

Since financial year ended 31 December 2015

COMPANY SECRETARIES

Goh Gin Nee ^{LLB (Hons)}

Toh Li Ping, Angela ^(ACIS)

PRINCIPAL BANKERS

DBS Bank Ltd

Oversea-Chinese Banking Corporation Limited

United Overseas Bank Limited

Hong Leong Finance Limited

Bank of China Limited (Singapore Branch)

Standard Chartered Bank

National Australian Bank

Malayan Banking Berhad (Singapore Branch)

CIMB Bank Berhad

RHB Berhad

The Hongkong and Shanghai Banking Corporation Limited

CORPORATE GOVERNANCE REPORT

Chip Eng Seng Corporation Ltd. (the “**Company**”, and together with its subsidiaries, the “**Group**”) is committed to achieving high standards of corporate governance in complying with the Code of Corporate Governance 2018 (the “**Code**”) which forms part of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) Listing Manual. The Company believes that good corporate governance provides the framework for an ethical and accountable corporate environment, which is essential to the long-term sustainability of the Group’s businesses and performance, as well as protection of shareholders’ interests.

This report sets out the Group’s corporate governance practices that were in place throughout the financial year ended 31 December 2019 (“**FY2019**”) with specific reference to the principles and provisions of the Code and guideline 2.4 of the Code of Corporate Governance 2012 which is applicable prior to 1 January 2022. The Company has complied in all material respects with the principles and provisions in the Code. Where there is any deviation from any provisions of the Code, an explanation has been provided in this report for the variation and how the practices adopted by the Group are consistent with the intent of the relevant principle. This report should be read in totality, rather than read separately under each principle of the Code.

BOARD MATTERS

PRINCIPLE 1: THE BOARD’S CONDUCT OF ITS AFFAIRS

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

The principal duties of the Board include:

- providing entrepreneurial leadership and guidance to the management team of the Group (“**Management**”) in setting the Company’s strategic aims, and ensuring that the necessary financial and human resources are in place for the Group to meet its strategic objectives, which include appropriate focus on value creation, innovation and sustainability;
- overseeing financial reporting and reviewing the financial results of the Group;
- monitoring the implementation of strategies and reviewing the business performance of the Group;
- instilling an ethical corporate culture and ensuring that the Company’s values, standards, policies and practices are consistent with its ethos and are adhered to, and ensuring that obligations to shareholders and other stakeholders are transparent, understood and met;
- considering sustainability issues such as environmental, social and governance factors, as part of the strategic formulation, including identifying key stakeholder groups;
- approving the appointment of Directors and management personnel (as defined in the Code wherever it appears in this report), taking into consideration the recommendations of the Nominating Committee;
- approving the remuneration packages for the Executive Directors and other key management personnel, taking into consideration the recommendations of the Remuneration Committee;
- establishing a framework of prudent and effective internal control and risk management framework which enables risk to be assessed and managed, including safeguarding of shareholders’ interest and the Group’s assets, taking into consideration feedback and recommendations from the Audit and Risk Committee;
- approving material acquisitions and disposals of assets, mergers and acquisitions, major corporate policies in key areas of operations, major funding, investment proposals, divestments, issuance of shares, dividends and proposals relating to shareholder returns, the Group’s financial results and material interested person transactions (“**IPTs**”); and
- ensuring the Group’s compliance with laws, regulations, policies, directives, guidelines and internal code of conduct.

CORPORATE GOVERNANCE REPORT

Provision 1.1 - Director's conflicts of interest

All Directors exercise due diligence and independent judgement, and make decisions objectively in the best interests of the Group.

Directors facing conflicts of interest are required to recuse themselves from discussions and decisions involving the issues of conflict. They are also required to avoid situations in which their own personal or business interests directly or indirectly conflict, or appear to conflict, with the interests of the Group. Where a Director has a conflict of interest, or it appears that he/she might have a conflict of interest, in relation to any matter, he/she is required to send a written notice to the Company containing details of his/her interest and the conflict or to declare such interest at a meeting of the Directors (or in written resolutions to be passed), and recuse himself/herself from participating in any discussion and decision on the matter. Where relevant, the Directors have complied with such requirement, and such compliance is duly recorded in the minutes of meeting and/or Directors' Resolutions in writing.

Provision 1.2 - Induction and training of Directors

Newly-appointed Directors will receive formal letters, setting out their duties and obligations. The Group also conducts an orientation programme for new Directors to familiarise them with the business activities of the Group, its strategic direction and corporate governance practices. Arrangements are also made for new Directors to meet Management for a better understanding of the Group's businesses and operations. Further, at the quarterly Board meetings, the Chief Financial Officer ("CFO") provides the Board with regular updates on the Group's business performance and plans.

To keep pace with new laws, regulations, changing commercial risks and accounting standards, all Directors engage in constant dialogues with Management and professionals from time to time. The Company will hold a Directors' training annually, which is conducted by professional parties such as law firms or accounting firms, to update the Directors of key changes in laws, rules and regulations, and accounting standards.

Directors are also encouraged to attend, at the Company's expense, relevant and useful seminars for their continuing education and skills improvement courses that are conducted by external organisations.

Mr. Yam Ah Mee, who was appointed as a Non-Executive and Non-Independent Director of the Company on 12 December 2019, and Prof. Yaacob Bin Ibrahim who was appointed as an Independent Director of the Company on 20 February 2020, have no prior experience as a director of an issuer listed on the SGX-ST. They will thus be attending the Listed Entity Directors Programme conducted by Singapore Institute of Directors within one year from the date of their respective appointment to the Board.

Provision 1.3 - Matters requiring Board's approval

The Company has adopted internal guidelines setting forth matters that require the Board's approval. The matters reserved for the Board's decision include the following:

- material acquisitions;
- material divestments;
- major corporate policies in key areas of operations;
- major funding;
- investment proposals;
- issuance of shares;
- declaration of dividends;
- proposals relating to shareholder returns;
- the Group's financial results;
- material IPTs; and
- establishment of the various Board Committees (including its composition and terms of reference).

CORPORATE GOVERNANCE REPORT

Provision 1.4 - Delegation by the Board

The Board has delegated certain functions to various Board Committees, namely the Audit and Risk Committee (“**ARC**”), the Nominating Committee (“**NC**”), the Remuneration Committee (“**RC**”) and the Investment Committee (“**IC**”). The IC was recently established with effect from 20 February 2020. The Company’s Audit Committee was also renamed as the Audit and Risk Committee with effect from 20 February 2020 to place emphasis on the risk management role undertaken by such committee.

Each Board Committee reports to the Board and has its own written terms of reference. The written terms of reference of each Board Committee sets out the relevant authority delegated by the Board for such committee to make decisions. These terms of reference also set out the conduct of meetings including quorum, voting requirements and qualifications for Board Committee membership. Each Board Committee will review its terms of reference from time to time to ensure relevance. Board approval is required for any changes to the terms of reference for any Board Committee.

The Board acknowledges that while each Board Committee is authorised to decide or provide its recommendations on particular issues, the ultimate responsibility on all matters lies with the Board.

The composition of the Board and each Board Committee as at the date of this report are as follows:

Name of Director	Position	Board Committee Membership			
		ARC	RC	NC	IC
Celine Tang @ Chen Huaidan @ Celine Tang (“ Celine Tang ”)	Non-Executive and Non-Independent Director and Chairman	–	–	–	–
Chia Lee Meng Raymond (“ Raymond Chia ”) ⁽¹⁾	Executive Director and Group Chief Executive Officer (“ CEO ”)	–	–	–	–
Tan Tee How	Executive Director	–	–	–	–
Yam Ah Mee ⁽²⁾	Non-Executive and Non-Independent Director	–	–	–	–
Ang Mong Seng ⁽³⁾	Lead Independent Director	–	Chairman	Member	Member
Abdul Jabbar Bin Karam Din (“ Abdul Jabbar ”) ⁽⁴⁾	Independent Director	Member	Member	–	Member
Lock Wai Han ⁽⁵⁾	Independent Director	Member	–	Member	–
Low Teck Seng ⁽⁶⁾	Independent Director	–	Member	Member	Chairman
Neo Boon Siong ⁽⁷⁾	Independent Director	Chairman	–	–	–
Yaacob Bin Ibrahim ⁽⁸⁾	Independent Director	Member	–	Chairman	–

Notes:

- ⁽¹⁾ Mr. Raymond Chia was appointed as a member of the NC and RC on 24 April 2019 and subsequently stepped down from both committees on 20 February 2020.
- ⁽²⁾ Mr. Yam Ah Mee was appointed as a Non-Executive and Non-Independent Director of the Company on 12 December 2019.
- ⁽³⁾ Mr. Ang Mong Seng stepped down as chairman of the ARC and was appointed as chairman of the RC and a member of the IC on 20 February 2020.
- ⁽⁴⁾ Mr. Abdul Jabbar was appointed as chairman of the NC in place of Mr. Ung Gim Sei who retired at the AGM of the Company held on 24 April 2019. He was appointed as a member of the IC and stepped down as chairman of the NC on 20 February 2020. Concurrently, he stepped down as chairman of the RC but remained as a member of the RC.
- ⁽⁵⁾ Mr. Lock Wai Han was appointed as a member of the NC on 20 February 2020.
- ⁽⁶⁾ Prof. Low Teck Seng was appointed as an Independent Director of the Company on 12 December 2019. He was subsequently appointed as chairman of the IC and a member of the RC and NC on 20 February 2020.
- ⁽⁷⁾ Dr. Neo Boon Siong was appointed as an Independent Director of the Company on 12 December 2019. He was subsequently appointed as chairman of the ARC on 20 February 2020.
- ⁽⁸⁾ Prof. Yaacob Bin Ibrahim was appointed as an Independent Director of the Company on 20 February 2020. Concurrently, he was appointed as chairman of the NC and a member of the ARC.

No alternate Director was appointed to the Board in FY2019.

CORPORATE GOVERNANCE REPORT

Provision 1.5 - Board processes, including Directors' attendance at meetings

Board Committee meetings, and general meetings

The Board meets on a quarterly basis to review the key activities and business strategies of the Group, and as and when warranted by particular circumstances. The Company's Constitution and/or written terms of reference allows Board and Board Committee meetings to be conducted by way of telephone or video conference and other similar means of communication whereby all persons participating in the meeting are able to communicate as a group, without requiring the Directors' physical presence at the meeting. The Board and Board Committees may also make decisions through circulating resolutions.

The details of the number of Board and Board Committee meetings, annual general meeting ("AGM") and extraordinary general meeting ("EGM") held from 1 January 2019 to 31 December 2019 as well as the Directors' attendance at those meetings are disclosed below:

Name of Directors	General meetings						Board Committee meetings ⁽¹⁾					
	AGM		EGM		Board		ARC		RC		NC	
	No. of meetings Held	No. of meetings Attended	No. of meetings Held	No. of meetings Attended	No. of meetings Held	No. of meetings Attended	No. of meetings Held	No. of meetings Attended	No. of meetings Held	No. of meetings Attended	No. of meetings Held	No. of meetings Attended
Celine Tang	1	1	1	1	4	4						
Raymond Chia ⁽²⁾	1	1	1	1	4	4			1	1	-	-
Tan Tee How	1	1	1	1	4	4						
Ang Mong Seng	1	1	1	1	4	4	4	4	2	2	1	1
Abdul Jabbar	1	1	1	1	4	4	4	4	2	2	1	1
Lock Wai Han	1	1	1	1	4	4	4	4				
Ung Gim Sei ⁽³⁾	1	1	1	1	1	0	1	0	1	1	1	1
Lui Tuck Yew ⁽⁴⁾	1	1	1	1	4	4	4	4				
Yam Ah Mee ⁽⁵⁾					-	-						
Low Teck Seng ⁽⁶⁾					-	-						
Neo Boon Siong ⁽⁷⁾					-	-						
Yaacob Bin Ibrahim ⁽⁸⁾												

Notes:

- ⁽¹⁾ As the IC was formed on 20 February 2020, no IC meeting was held in 2019.
- ⁽²⁾ Mr. Raymond Chia was appointed as a member of the NC and RC on 24 April 2019. There was no NC meeting held during the period from the date of his appointment to 31 December 2019.
- ⁽³⁾ Mr. Ung Gim Sei retired as an Independent Director of the Company at the AGM held on 24 April 2019. Accordingly, he stepped down as chairman of the NC and a member of the ARC and RC. His attendances at the ARC, NC, RC and Board meetings are recorded up to the date of his retirement thereof.
- ⁽⁴⁾ Mr. Lui Tuck Yew resigned as an Independent Director of the Company and stepped down as a member of the ARC on 31 October 2019. His attendances at the ARC and Board meetings are recorded up to the date of his resignation thereof.
- ⁽⁵⁾ Mr. Yam Ah Mee was appointed as Non-Executive and Non-Independent Director of the Company on 12 December 2019. There was no Board meeting held during the period from the date of his appointment to 31 December 2019.
- ⁽⁶⁾ Prof. Low Teck Seng was appointed as an Independent Director of the Company on 12 December 2019. There was no Board meeting held during the period from the date of his appointment to 31 December 2019.
- ⁽⁷⁾ Dr. Neo Boon Siong was appointed as an Independent Director of the Company on 12 December 2019. There was no Board meeting held during the period from the date of his appointment to 31 December 2019.
- ⁽⁸⁾ Prof. Yaacob Bin Ibrahim was appointed as an Independent Director of the Company on 20 February 2020.

CORPORATE GOVERNANCE REPORT

Provision 1.6 - Complete, adequate and timely information

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

In order to ensure that the Board is able to discharge its responsibilities effectively, Management provides the Directors with regular updates on the operational and financial performance of the Group and on material developments relating to the Group. To allow Directors sufficient time to prepare for meetings, all Board and Board Committee papers are distributed to the relevant Directors at least three working days prior to the meeting, save in the case of any ad hoc or urgent meeting. Any additional material or information requested by the Directors is promptly furnished. Key members of Management who are in a position to provide additional insight in the matters to be discussed will be present at the relevant time during the Board and Board Committee meetings.

Provision 1.7 - Company Secretaries and independent professional advice

Directors have separate and independent access to the Joint Company Secretaries. The Joint Company Secretaries are responsible for, among other things, ensuring that Board procedures are observed and that the Company's Constitution, relevant rules and regulations, including requirements of the Companies Act (Chapter 50 of Singapore) and SGX-ST Listing Manual, are complied with. They also assist the Board to implement corporate governance practices and processes.

The Joint Company Secretaries further assist the Chairman of the Board in ensuring good information flow within the Board and the Board Committees and between Management and Non-Executive Directors ("**NEDs**").

The Joint Company Secretaries or their representative(s) attend and prepare minutes for all Board meetings and also assist in ensuring coordination and liaison between the Board, the Board Committees and Management. The Joint Company Secretaries also assist the Chairman of the Board, the chairman of Board Committees and Management in the development of the agendas for the various Board and Board Committee meetings.

The appointment or removal of any of the Joint Company Secretaries is a decision of the Board as a whole.

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

PRINCIPLE 2: BOARD COMPOSITION AND GUIDANCE

Provisions 2.1 and 4.4 - Directors' independence review

An "independent" Director is independent in conduct, character and judgement, and has no relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement in the best interests of the Company.

For FY2019, the Board, with the concurrence of the NC, had adopted a declaration of independence based on provision 2.1 of the Code and Rule 210(5)(d) of the SGX-ST Listing Manual ("**Revised Definition on Director's Independence**").

Provisions 2.2 and 2.3 - Composition of (i) Independent Directors and (ii) Non-Executive Directors on the Board

Currently, the Independent Directors of the Company make up a majority of the Board which comprises 10 Directors, of whom six are Independent Directors, two are Executive Directors (one of whom is also the Group CEO) and two are Non-Executive and Non-Independent Directors (one of whom is the Chairman of the Board).

Accordingly, the NEDs make up a majority of the Board.

CORPORATE GOVERNANCE REPORT

Provision 2.4 - Composition of the Board and Board Committees, and Board Diversity Policy

The Company is committed to building a diverse, inclusive and collaborative culture. It recognises that a diverse Board of an appropriate size is an important element which will better pave the way for the Company to achieve its strategic objectives, for sustainable development, avoid groupthink and foster constructive debate. A diverse Board also enhances the decision-making process through perspectives derived from differentiating skillsets, business experience, industry discipline, gender, age, ethnicity and culture, geographical background and nationalities, tenure of service and other distinguishing qualities of the Directors.

Each year, the NC reviews the size and composition of the Board and Board Committees and the skills and core competencies of its members to ensure an appropriate balance and mix of skillset, knowledge, experience and gender, with a strong element of independence.

Pursuant to provision 2.4 of the Code, the Board has adopted a Board Diversity Policy. Having regard to the guidelines in the Board Diversity Policy, the NC will, in reviewing the Board's composition, rotation and retirement of Directors and succession planning, take into account factors, including but not limited to gender, age, nationality, ethnicity, cultural background, educational background, experience, skills, knowledge, independence and length of service. These differentiating factors will be considered in determining the optimum composition of the Board and when possible will be balanced appropriately.

Any external search consultants, if required, engaged to assist the Board or the NC to search for candidates for appointment to the Board will be specifically directed to include candidates from diverse backgrounds and female candidates. The decision on the selection of Director(s) to be appointed on the Board will ultimately be based on merit, and candidates will be considered against objective criteria, having due regard for the benefits of diversity balanced with the needs of the Board.

The current composition of the Board reflects its commitment to the relevant diversity in gender, age, ethnicity, skills and knowledge. The core competencies of the Directors include banking, accounting and finance, business acumen, management experience, industry knowledge, strategic planning experience, customer-based knowledge, familiarity with regulatory requirements and knowledge of risk management. The Board considers that its Directors possess the necessary competencies and knowledge to lead and govern the Group effectively.

No individual or select group of individuals dominates the Board's decision-making process as a majority of the Board (60%) is made up of Independent Directors. Accordingly, there is a strong and independent element on the Board and the Company complies with provisions 2.2 and 2.3 of the Code.

Taking into account the nature and scope of the Group's operations and the number of Board Committees, the Board, with the concurrence of the NC, is of the view that the current board size and composition is adequate. The Board believes that the current size and composition provides sufficient diversity without interfering with efficient decision-making. The Directors' credentials including working experience, academic and professional qualifications are presented at the Board of Directors section of the annual report.

The NC will review the Board Diversity Policy from time to time as appropriate, to ensure the effectiveness of such policy. The NC will also discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

CORPORATE GOVERNANCE REPORT

Provision 2.5 - Role of the Non-Executive Directors

The NEDs (including, for the avoidance of doubt, the Independent Directors) participate actively in Board meetings. Backed by their professional expertise, experience and knowledge, the NEDs provide constructive advice and guidance for effective discharge by the Board of its principal functions over the Group's strategies, businesses and other affairs. The NEDs also constructively challenge and advise on the development of directions on strategy as well as review the performance of Management in achieving targeted goals and objectives. In addition, the NEDs also monitor the reporting of the Group's business and financial performance.

All the Independent Directors, led by the Lead Independent Director, meet at least annually without the presence of the Executive Directors and other Non-Independent Directors to discuss matters of significance which findings are then reported to the Chairman of the Board.

The NEDs are also in frequent contact with one another outside the Board and Board Committee meetings and hold regular informal discussions amongst themselves. Any feedback would be provided to the Board and/or Chairman of the Board as appropriate.

PRINCIPLE 3: CHAIRMAN AND CEO

Provisions 3.1 and 3.2 - Chairman and CEO

The roles and responsibilities between the Chairman of the Board and the Group CEO of the Company are held by separate individuals to ensure that there is an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making. There is no one individual who has unfettered powers of decision-making.

Mrs. Celine Tang, Non-Executive and Non-Independent Chairman, leads the Board to ensure its effectiveness on all aspects of its role and 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, Joint Company Secretaries and Management. She approves the agendas for Board meetings, ensures sufficient allocation of time for thorough discussion of agenda items and promotes a culture of openness and debate at the Board level. She also ensures that Board matters are effectively organised to enable Directors to receive complete, adequate and timely information in order to make sound decisions, promote constructive relations within the Board and between the Board and Management, and ensure effective communication with shareholders. She also facilitates effective contribution from NEDs.

Mr. Raymond Chia, an Executive Director and the Group CEO, manages and supervises the day-to-day business operations of the Group in accordance with the strategies, policies and business plans approved by the Board. He is assisted by Mr. Tan Tee How (the Company's other Executive Director), the CFO and other key management personnel to oversee the daily running of the Group's operations and execution of strategies and plans.

Mrs. Celine Tang and Mr. Raymond Chia do not have any familial relationship.

Provision 3.3 - Lead Independent Director

The Board is of the view that there are sufficient safeguards and checks in place to ensure that there is a good balance of power, accountability and capacity of the Board for independent decision-making. The Board appointed Mr. Ang Mong Seng to act as the Lead Independent Director. Shareholders with concerns may contact him directly, when contact through the normal channels via the Non-Executive and Non-Independent Chairman, the Group CEO or the CFO has failed to provide satisfactory resolution, or when such contact is inappropriate. Mr. Ang can be contacted at LeadID@chipengseng.com.sg.

CORPORATE GOVERNANCE REPORT

PRINCIPLE 4: BOARD MEMBERSHIP

Provisions 4.1 and 4.2 - NC's duties and composition

The NC has a set of written terms of reference, which provides that its composition shall comprise at least three Directors, the majority of whom including the chairman of the NC, shall be independent. The NC comprises the following Independent Directors:

1. Prof. Yaacob Bin Ibrahim (Chairman)
2. Mr. Ang Mong Seng, Lead Independent Director
3. Mr. Lock Wai Han
4. Prof. Low Teck Seng

The NC holds at least one NC meeting in each financial year and whenever warranted by particular circumstances deemed appropriate by the NC. The NC is responsible for making recommendations to the Board on all Board appointments, re-election and/or re-appointments. Its key terms of reference include the following:

- reviewing and recommending to the Board the appointment and re-election/re-appointment of Directors;
- reviewing the skillsets required by the Board, and the size of the Board;
- ensuring that the Company adheres to the Board composition rules, including having Independent Directors make up a majority of the Board;
- evaluating whether or not a Director is able to and has been adequately carrying out his/her duties as Director of the Company, when he/she has multiple board representations;
- developing a process for evaluating the performance of the Board, its Board Committees and each individual Director;
- conducting a formal assessment on the effectiveness of the Board as a whole and each individual Director;
- reviewing the training and professional development programmes for the Board; and
- reviewing the Board's succession plans for Directors, in particular, the Non-Executive and Non-Independent Chairman, the Group CEO and other key management personnel.

CORPORATE GOVERNANCE REPORT

Provision 4.3 - Process for selection and appointment of new Directors

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

- The NC evaluates the balance of skills, knowledge and experience of the existing Board and the requirements of the Group, taking into consideration diversity requirements. In light of such evaluation, the NC determines the role and the key attributes that an incoming director should have.
- After endorsement by the Board of the key attributes, the NC taps on resources such as Directors' personal contacts and recommendations for potential candidates and goes through a short-listing process. If candidates identified from this process are not suitable, executive recruitment agencies are appointed in the search process. No external search consultant was engaged during FY2019.
- The NC meets with the shortlisted candidate(s) to assess suitability and to ensure that the candidate(s) is/are aware of the expectations and the level of commitment required.
- The NC recommends the most suitable candidate to the Board for appointment as Director.

Provision 4.3 - Process for re-election/re-appointment of Directors

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

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

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

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

Pursuant to the one-third rotation rule, Mr. Raymond Chia and Mr. Abdul Jabbar will retire at the forthcoming AGM. Mr. Yam Ah Mee, Prof. Low Teck Seng, Dr. Neo Boon Siong and Prof. Yaacob Bin Ibrahim will retire pursuant to the Regulation 119 of the Company's Constitution. The NC is satisfied that Mr. Raymond Chia, Mr. Abdul Jabbar, Mr. Yam Ah Mee, Prof. Low Teck Seng, Dr. Neo Boon Siong and Prof. Yaacob Bin Ibrahim, who are retiring in accordance with the Company's Constitution at the forthcoming AGM, are properly qualified for re-election/re-appointment by virtue of their skills, experience and their contribution of guidance and time to the Board's deliberations. Accordingly, the NC has recommended to the Board the re-election of these six Directors. Each member of the NC abstains from making any recommendations and/or participating in any deliberation of the NC and from voting on any resolution, in respect of the assessment of his own performance or re-nomination as a Director.

CORPORATE GOVERNANCE REPORT

The requirements under Rule 720(6) of the SGX-ST Listing Manual are set out below:

Name of person	Raymond Chia ("Mr. Chia")	Abdul Jabbar ("Mr. Jabbar")	Yam Ah Mee ("Mr. Yam")	Low Teck Seng ("Prof. Low")	Neo Boon Siong ("Dr. Neo")	Yaacob Bin Ibrahim ("Prof. Yaacob")
Date of Appointment	1 February 2016	2 February 2018	12 December 2019	12 December 2019	12 December 2019	20 February 2020
Date of last re-appointment/re-election (if applicable)	25 April 2018	25 April 2018	N.A.	N.A.	N.A.	N.A.
Age	53	50	62	64	62	64
Country of Principal Residence	Singapore	Singapore	Singapore	Singapore	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	<p>The NC has recommended that Mr. Chia be re-elected, taking into account the instrumental role which Mr. Chia, as Executive Director and Group CEO, has played in overseeing the operations of the Group and charting the long-term growth of the Group.</p> <p>The Board supported the NC's recommendation.</p> <p>Mr. Chia had abstained from voting on any resolution and making any recommendation and/or participating in the deliberation in respect of his own re-election.</p>	<p>The NC has recommended that Mr. Jabbar be re-elected, taking into account the valuable insight and advice contributed by Mr. Jabbar.</p> <p>The Board supported the NC's recommendation.</p> <p>Mr. Jabbar had abstained from voting on any resolution and making any recommendation and/or participating in the deliberation in respect of his own re-election.</p>	<p>The NC has recommended that Mr. Yam be re-elected, taking into account his track record, experience and capabilities to, amongst others, create synergy amongst the different construction segments and to uphold and enhance the Group's corporate governance standards drawing from his vast experience in the public sector.</p> <p>The Board supported the NC's recommendation.</p> <p>Mr. Yam had abstained from voting on any resolution and making any recommendation and/or participating in the deliberation in respect of his own re-election.</p>	<p>The NC has recommended that Prof. Low be re-elected, taking into account his track record, experience and capabilities to, amongst others, assist the Board to chart the strategic directions for growing and shaping the Group's education business and enhance the Group's capabilities in infrastructure and engineering projects.</p> <p>The Board supported the NC's recommendation.</p> <p>Prof. Low had abstained from voting on any resolution and making any recommendation and/or participating in the deliberation in respect of his own re-election.</p>	<p>The NC has recommended that Dr. Neo be re-elected, taking into account his track record, experience and capabilities to assist the Board in charting strategic directions and strengthening corporate governance as well as contribute to the development of the Group's education business.</p> <p>The Board supported the NC's recommendation.</p> <p>Dr. Neo had abstained from voting on any resolution and making any recommendation and/or participating in the deliberation in respect of his own re-election.</p>	<p>The NC has recommended that Prof. Yaacob be re-elected, taking into account his track record, experience and capabilities to, amongst others, provide insight and guidance to the expansion of the Group's businesses and provide the Board with different perspectives during board discussions.</p> <p>The Board supported the NC's recommendation.</p> <p>Prof. Yaacob had abstained from voting on any resolution and making any recommendation and/or participating in the deliberation in respect of his own re-election.</p>
Whether appointment is executive, and if so, the area of responsibility	Executive, Responsible for the Group's overall operations, strategic planning and investment decisions.	Non-Executive.	Non-Executive.	Non-Executive.	Non-Executive.	Non-Executive.
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Director and Group CEO	Independent Director, member of the ARC, RC and IC	Non-Executive and Non-Independent Director	Independent Director, chairman of the IC and member of the RC and NC	Independent Director and chairman of the ARC	Independent Director, chairman of the NC and member of the ARC
Professional Qualifications	Please refer to the Directors' respective biographies on pages 26 to 29 of this Annual Report.					

CORPORATE GOVERNANCE REPORT

Name of person	Raymond Chia ("Mr. Chia")	Abdul Jabbar ("Mr. Jabbar")	Yam Ah Mee ("Mr. Yam")	Low Teck Seng ("Prof. Low")	Neo Boon Siong ("Dr. Neo")	Yaacob Bin Ibrahim ("Prof. Yaacob")
Working experience and occupation(s) during the past 10 years	<p>June 2007 to December 2014: Group Chief Executive Officer of the Company</p> <p>January 2013 to December 2014: Executive Deputy Chairman of the Company</p> <p>April 2015 to January 2016: Chief Executive Officer of LGB Corporation Pte. Ltd.</p> <p>May 2016 to October 2018: Executive Chairman of the Company</p> <p>February 2016 to present: Executive Director and Group CEO of the Company</p>	<p>Executive Committee Partner and Head of Corporate and Transactional Practice, Rajah and Tann Singapore LLP</p>	<p>2005 to 2010: Chief Executive Officer of Land Transport Authority, and Chairman of EZ Link Pte Ltd and MSI Global Pte Ltd</p> <p>2010 to 2013: Chief Executive Director of People's Association</p> <p>April 2013 to present: Chief Executive Officer of Sembcorp Design and Construction Pte. Ltd.⁽¹⁾ and Chairman of six subsidiary companies of Sembcorp Industries Ltd</p> <p>⁽¹⁾With effect from 12 December 2019, Sembcorp Design and Construction Pte. Ltd. (renamed as CES_SDC Pte. Ltd.) is a wholly-owned subsidiary of the Company.</p>	<p>April 2009 to September 2010: Deputy Managing Director (Research) of Agency for Science, Technology and Research ("A*STAR")</p> <p>February 2010 to September 2010: Executive Director (Science & Engineering Research Council) of A*STAR</p> <p>October 2010 to present: Managing Director of A*STAR</p> <p>January 2010 to present: Professor of Nanyang Technological University ("NTU")</p> <p>July 2012 to present: Chief Executive Officer of National Research Foundation, Prime Minister's Office</p> <p>August 2012 to present: Professor of National University of Singapore ("NUS")</p>	<p>2010: Professor, Lee Kuan Yew School of Public Policy, NUS</p> <p>2011 to 2016: Professor of Business, Nanyang Business School ("NBS"), NTU.</p> <p>2016 to 2017: Dean and Canon Professor of Business at the NBS, NTU</p> <p>2016 to 2019: Canon Endowed Chair Professor of Business and Director of the Asian Business Care Centre at NBS, NTU</p>	<p>May 2003 to April 2018: Minister-in-charge of Muslim Affairs</p> <p>May 2006 to May 2011: Minister, Ministry of Environment and Water Resources</p> <p>May 2006 to April 2011: Member of Parliament ("MP") of Jalan Besar Group Representation Constituency ("GRC")</p> <p>May 2011 to April 2018: Minister of Ministry of Communications and Information</p> <p>May 2011 to August 2015: MP of Moulmein-Kallang GRC</p> <p>September 2015 to present: MP of Jalan Besar GRC</p> <p>July 2018 to present: Advisor of Infocomm Media Development Authority (IMDA) in relation to the Kampong Glam Digitalisation Project</p> <p>August 2018 to present: Professor of Engineering, Singapore Institute of Technology ("SIT"), Singapore</p> <p>August 2018 to present: Advisor to the President of SIT, Singapore</p> <p>October 2018 to present: Board of Trustees of Building Construction and Timber Industries Employees' Union (BATU)</p> <p>January 2019 to present: Director of Surbana Jurong Private Limited</p>

CORPORATE GOVERNANCE REPORT

Name of person	Raymond Chia ("Mr. Chia")	Abdul Jabbar ("Mr. Jabbar")	Yam Ah Mee ("Mr. Yam")	Low Teck Seng ("Prof. Low")	Neo Boon Siong ("Dr. Neo")	Yaacob Bin Ibrahim ("Prof. Yaacob")
Shareholding interest in the listed issuer and its subsidiaries	<p>(i) 14,406,250 ordinary shares (direct interest)</p> <p>(ii) 12,127,500 ordinary shares (deemed interest) held by his spouse, Mdm. Lim Sock Joo</p> <p>(iii) 45,000,000 options (which can be exercised into 45,000,000 ordinary shares)</p> <p>(iv) S\$2,000,000⁽¹⁾ 4.75% fixed rate notes due 14 June 2021, issued pursuant to the Company's Multicurrency Debt Issuance Programme established on 18 October 2013 (the "Debt Issuance Programme")</p> <p>(v) S\$3,000,000⁽¹⁾ 4.90% fixed rate notes due 19 May 2022, issued pursuant to the Debt Issuance Programme</p> <p>(vi) S\$1,000,000⁽²⁾ 6.00% fixed rate notes due 15 March 2022, issued pursuant to the Debt Issuance Programme</p> <p>⁽¹⁾ held jointly with spouse ⁽²⁾ deemed interest in the notes held by spouse</p>	Nil	20,000 ordinary shares (held jointly with spouse)	Nil	Nil	Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Spouse of Mdm. Lim Sock Joo, an Executive Director of CEL Development Pte. Ltd., a wholly-owned subsidiary of the Company	Nil	Nil	Nil	Nil	Nil

CORPORATE GOVERNANCE REPORT

Name of person	Raymond Chia ("Mr. Chia")	Abdul Jabbar ("Mr. Jabbar")	Yam Ah Mee ("Mr. Yam")	Low Teck Seng ("Prof. Low")	Neo Boon Siong ("Dr. Neo")	Yaacob Bin Ibrahim ("Prof. Yaacob")
Conflict of interest (including any competing business)	<p>Mr. Chia currently holds an effective shareholding interest of 40% in LGB Corporation Pte. Ltd., which, together with its subsidiaries ("LGB Group") is also in the property development business.</p> <p>As announced previously, the Company allows Mr. Chia to remain as a passive shareholder of LGB Corporation Pte. Ltd. on the basis that the LGB Group will not engage in any further property development projects, save for one project in Adelaide, Australia.</p> <p>The Board is of the opinion that allowing Mr. Chia to remain as a passive shareholder of LGB Corporation Pte. Ltd. will not compete with the businesses of the Group, nor will it impede Mr. Chia in carrying out his duties and responsibility as an Executive Director and the Group CEO of the Company.</p>	Nil	Nil	Nil	Nil	Nil
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes	Yes	Yes	Yes
Other Principal Commitments* and Directorship	Please refer to the key information of the Directors set out on pages 55 to 59 of this Annual Report.					

The Company confirms that there is no change in the declaration items (a) to (k) of Appendix 7.4.1 of the SGX-ST Listing Manual concerning the Directors to be re-elected.

**The term "principal commitments" shall include all commitments which involve significant time commitment such as full-time occupation, consultancy work, committee work, non-listed company board representations and directorships and involvement in non-profit organisations. Where a director sits on the boards of non-active related corporations, those appointments should not normally be considered principal commitments.*

CORPORATE GOVERNANCE REPORT

Provision 4.4 - Review of Directors' independence

The NC determines the independence of each Director annually. For the purpose of determining Directors' independence, every Director has provided declaration of his independence based on the Revised Definition on Director's Independence, which is deliberated upon by the NC and the Board.

All Independent Directors have also confirmed their independence in accordance with the Revised Definition on Director's Independence for FY2019 or during their appointment as Independent Directors.

The Board reviews and determines whether each Director is independent, taking into account the views of the NC and any existence of relationship or circumstances, including those identified in the Code and the SGX-ST Listing Manual, that are relevant in its determination as to whether a Director is independent.

The NC also assessed and concluded that Mr. Abdul Jabbar, who is a partner of Rajah and Tann Singapore LLP ("**Rajah & Tann**"), is independent notwithstanding the relationship between the Company and Rajah & Tann which provides corporate secretarial services on a retainer basis and certain legal services to the Group. The total fees, including ad-hoc services, for FY2019 payable by the Group to Rajah & Tann did not exceed S\$200,000.

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

Each of the Independent Director had recused themselves from the NC's and Board's deliberations on their own independence.

The Board also recognises that Independent Directors may over time develop significant insights in the Group's businesses and operations, and continue to provide significant and valuable contributions objectively to the Board as a whole. The Board will conduct a rigorous review of each Independent Director's continuing contribution and independence and may exercise its discretion to extend the tenures of these Directors. Presently, Mr. Ang Mong Seng has served as an Independent Director of the Company for a period exceeding nine years from the date of his first appointment. The Board has subjected his independence to a particularly rigorous review. The NC had reviewed his declaration of independence, a review questionnaire to which Mr. Ang had provided his responses and contributions to the Board to determine if he remains independent and is able to carry out his duties objectively, taking into account the need for progressive refreshing of the Board.

In NC's view, Mr. Ang Mong Seng is independent in character and judgement despite having been on the Board for more than nine years. In addition, Mr. Ang Mong Seng has regularly expressed his individual viewpoints, debated issues and objectively scrutinised and challenged Management. He has also, on various occasions, taken the initiative to seek clarification and amplification as he deemed required, including through direct access to the Group's employees. The Board concurred with the NC's view. It had also observed the performance of Mr. Ang Mong Seng at Board meetings and other occasions and has no reasons to doubt his independence in the course of discharging his duties.

Further, having gained in-depth understanding of the business and operating environment of the Group, Mr. Ang Mong Seng provides the Company with much needed experience and knowledge of the industries in which the Group operates. Based on the declaration of independence and rigorous review questionnaire received from Mr. Ang Mong Seng, he has no association with Management that could compromise his independence. After considering all these factors, the Board (with Mr. Ang Mong Seng abstaining from voting in respect of his own nomination) has determined that Mr. Ang Mong Seng continues to be considered independent, notwithstanding that he has served on the Board for more than nine years from the date of his first appointment.

CORPORATE GOVERNANCE REPORT

Provision 4.5 - Directors' time commitments and multiple Directorships

The NC determines annually whether a Director with multiple board representations and/or other principal commitments is able to and has been adequately carrying out his/her duties as a Director of the Company. Each Director is also required to confirm annually to the NC as to whether he has any issue with competing time commitments which may impact his ability to provide sufficient time and attention to his duties as a Director of the Company.

The NC takes into account the results of the assessment of the effectiveness of the individual Director, the Director's annual confirmation and the Directors' actual conduct on the Board, in making this determination.

In respect of FY2019, the NC was of the view that the number of directorships held by each Director were in line with the Company's guideline of a maximum of eight listed company board representations and that each Director has discharged his/her duties adequately.

Key information on the Directors is set out below:

Name of Director	Position	Date of first appointment as a Director	Date of last re-election/ re-appointment as a Director	Present directorships or chairmanships in other listed companies	Directorships or chairmanships held over the preceding three years in other listed companies	Other principal commitments	Due for re-election/ re-appointment at the AGM
Celine Tang	Non-Independent and Non-Executive Director and Non-Executive Chairman	11 October 2018	24 April 2019	<ul style="list-style-type: none"> Group Managing Director of Singhaiyi Group Ltd. Non-executive Chairman of OKH Global Ltd. 	None	<ul style="list-style-type: none"> Managing Director of Haiyi Holdings Pte. Ltd. Advisory Committee member of JunYing Secondary School 	N.A.
Raymond Chia	Executive Director and Group Chief Executive Officer	1 February 2016	25 April 2018	None	None	<ul style="list-style-type: none"> Vice-President of The Singapore Scout Association Board member of Ren Ci Hospital 	Retirement by rotation (Regulation 115)
Tan Tee How	Executive Director	2 February 2018	25 April 2018	Independent Director of Hong Leong Finance Limited	None	<ul style="list-style-type: none"> Chairman of the Casino Regulatory Authority of Singapore President of Singapore Scout Association Deputy Chairman of National Healthcare Group 	N.A.

CORPORATE GOVERNANCE REPORT

Name of Director	Position	Date of first appointment as a Director	Date of last re-election/ re-appointment as a Director	Present directorships or chairmanships in other listed companies	Directorships or chairmanships held over the preceding three years in other listed companies	Other principal commitments	Due for re-election/ re-appointment at the AGM
Yam Ah Mee	Non-Executive and Non-Independent Director	12 December 2019	N.A.	None	None	<ul style="list-style-type: none"> • CEO & Director of Sembcorp Design and Construction Pte. Ltd.⁽¹⁾ • Chairman & Director of Sembcorp Architects & Engineers Pte. Ltd. • CEO & Director of Sembcorp Specialised Construction Pte. Ltd. • Chairman & Director of SDC International Pte Ltd • Chairman & Director SDCI (Bangladesh) Limited • EXCO and Council member of Workplace Safety & Health Council (WSHC) • Chairman of WSHC Construction and Landscape Industry Sector • Member of Mindef External Review Panel for Safety • Vice Chairman of Christian National Evangelistic Commission (CNEC) 	Retirement (Regulation 119)

⁽¹⁾ With effect from 12 December 2019, Sembcorp Design and Construction Pte. Ltd. (renamed as CES_SDC Pte. Ltd.) is a wholly-owned subsidiary of the Company.

CORPORATE GOVERNANCE REPORT

Name of Director	Position	Date of first appointment as a Director	Date of last re-election/ re-appointment as a Director	Present directorships or chairmanships in other listed companies	Directorships or chairmanships held over the preceding three years in other listed companies	Other principal commitments	Due for re-election/ re-appointment at the AGM
Ang Mong Seng	Lead Independent Director	19 March 2003	24 April 2019	<ul style="list-style-type: none"> Independent Director of Hoe Leong Corporation Ltd. Independent Director of Emerging Town & Cities Singapore Ltd. 	<ul style="list-style-type: none"> Gaylin Holdings Ltd Annaik Ltd 	<ul style="list-style-type: none"> Director of Pei Hwa Foundation Ltd and the Chinese Opera Institute Sole-proprietor of Ang Mong Seng Consultants 	N.A.
Abdul Jabbar	Independent Director	2 February 2018	25 April 2018	Independent Director of Global Investments Limited	None	Executive Committee Partner and Head of Corporate and Transactional Practice, Rajah and Tann Singapore LLP	Retirement by rotation (Regulation 115)
Lock Wai Han	Independent Director	11 October 2018	24 April 2019	<ul style="list-style-type: none"> Executive Director and Chief Executive Officer of OKH Global Ltd. Independent Director of ARA Trust Management (Suntec) Limited 	Secura Group Ltd	<ul style="list-style-type: none"> Director of Singapore Sports School Ltd. Chairman of Media Literacy Council Vice-President of ACS OBA Management Committee 	N.A.

CORPORATE GOVERNANCE REPORT

Name of Director	Position	Date of first appointment as a Director	Date of last re-election/ re-appointment as a Director	Present directorships or chairmanships in other listed companies	Directorships or chairmanships held over the preceding three years in other listed companies	Other principal commitments	Due for re-election/ re-appointment at the AGM
Low Teck Seng	Independent Director	12 December 2019	N.A.	<ul style="list-style-type: none"> • Independent Director of ExcelPoint Technology Ltd. • Independent Director of ISEC Healthcare Ltd • Independent Director of Ucrest Berhad • Independent Director of Key Asics Berhad 	Singapore Post Limited	<ul style="list-style-type: none"> • Chief Executive Officer of National Research Foundation • Director of NRF Holdings Pte Ltd • Director of Cambridge Centre for Advanced Research in Energy Efficiency in Singapore (Cambridge CARES) • Board member of Singapore-MIT Alliance for Research & Technology Centre • Director of TUM Create Limited • Director of Revantha Technologies Pte Ltd • Advisor to Halza Pte Ltd • Director of DSO National Laboratories • Board member of SGInnovation Board • Professor of NUS • Professor of NTU • Director of IEEE Foundation 	Retirement (Regulation 119)

CORPORATE GOVERNANCE REPORT

Name of Director	Position	Date of first appointment as a Director	Date of last re-election/ re-appointment as a Director	Present directorships or chairmanships in other listed companies	Directorships or chairmanships held over the preceding three years in other listed companies	Other principal commitments	Due for re-election/ re-appointment at the AGM
Neo Boon Siong	Independent Director	12 December 2019	N.A.	None	<ul style="list-style-type: none"> Keppel Telecommunications & Transportation Ltd. K1 Ventures Limited OUE Hospitality Trust 	<ul style="list-style-type: none"> Director of Keppel Telecommunications & Transportations Ltd. Audit Committee member of St Luke's Hospital Human Resource Committee member St Luke's Eldercare Ltd. Chairman of Board of Governors for The Navigators 	Retirement (Regulation 119)
Yaacob Bin Ibrahim	Independent Director	20 February 2020	N.A.	N.A.	N.A.	<ul style="list-style-type: none"> Director of Surbana Jurong Private Limited Board of Trustees of Building Construction and Timber Industries Employees' Union (BATU) Advisor for the Kampong Glam Digitalisation Project of Infocomm Media Development Authority Professor of Engineering, SIT Advisor to President of SIT Member of Parliament for Jalan Besar GRC Non-executive chairman of Rekanext Capital Partners Pte Ltd 	Retirement (Regulation 119)

Note:

The details of Directors' credentials including working experience, academic and professional qualifications, shareholding in the Company and its related corporations and Directorships can be found in the Board of Directors and Directors' Statement sections of the annual report.

CORPORATE GOVERNANCE REPORT

PRINCIPLE 5: BOARD PERFORMANCE

Provisions 5.1 and 5.2 - Assessments of the Board, Board Committees and individual Directors

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

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

At the end of each year, each Board member is required to complete a Board assessment form and self-assessment form and submit the completed forms to the chairman of the NC before the NC meeting. Based on the responses, the chairman of the NC will prepare a consolidated report and present the report to the Board at the Board meeting to be held before the AGM. To-date, no external facilitator has been engaged.

The evaluation of individual Directors assesses whether each Director continues to contribute effectively and demonstrates commitment to the role (including commitment of time for Board and Board Committee meetings and duties). The NC takes into account the results of the assessment of the effectiveness of the individual Director, the Director's annual confirmation and actual conduct on the Board, in making this determination.

As Mr Yam Ah Mee, Prof. Low Teck Seng and Dr. Neo Boon Siong were appointed on 12 December 2019, the NC and the Board were of the view that it is not meaningful for them to complete the said assessment in relation to FY2019. It is also not necessary for Prof. Yaacob Bin Ibrahim to complete the assessment in relation to FY2019 as he was appointed in 2020.

The Chairman of the Board 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.

Currently, the Board does not assess the performance of the Board Committees separately. However, the assessment of the performance of each Board Committee is incorporated into the Board's performance evaluation, and the Board is satisfied that the responsibilities of the Board Committees are properly outlined and the Board Committees are suitably empowered to discharge their respective responsibilities in an effective and timely fashion. Notwithstanding the foregoing, the Board would be conducting separate assessments of its Board Committees on an annual basis starting from the current financial year ending 2020.

REMUNERATION MATTERS

PRINCIPLE 6: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Provisions 6.1 and 6.2 - RC's duties and composition

The RC comprises the following three members, all of whom are Independent Directors:

1. Mr. Ang Mong Seng, Lead Independent Director (Chairman)
2. Mr. Abdul Jabbar Bin Karam Din
3. Prof. Low Teck Seng

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

CORPORATE GOVERNANCE REPORT

Provisions 6.3 and 6.4 - Remuneration framework and engagement of remuneration consultants, if any

During FY2019, the RC has met twice and carried out its duties in accordance with its terms of reference, which include reviews and recommendations to the Board for endorsement on the general framework of remuneration for the Board and key management personnel, all matters concerning the remuneration packages of Executive Directors, staff related to Directors as well as other key management personnel. The RC also reviewed the Group's obligations arising in the event of termination of the Executive Directors' and other key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous. In addition, the RC implements and administers the Chip Eng Seng Employee Share Option Scheme 2013 ("**ESOS**") and the Chip Eng Seng Performance Share Plan ("**CES Share Plan**").

The RC's recommendations were made in consultation with the Chairman of the Board and none of the members of the RC or any Director is involved in deliberations in respect of any remuneration, compensation, share-based incentives or any form of benefits to be granted to him/her.

For FY2019, there were no termination, retirement and post-employment benefits granted to Directors and key management personnel. The RC did not engage the services of any external remuneration consultant in FY2019. Nevertheless, the RC may seek advice from external remuneration consultants from time to time and where necessary in framing the remuneration policy and determining the level and mix of remuneration for Directors and key management personnel.

Details of the ESOS and CES Share Plan are disclosed in the Directors' Statement in this annual report.

PRINCIPLE 7: LEVEL AND MIX OF REMUNERATION **PRINCIPLE 8: DISCLOSURE OF REMUNERATION**

Provisions 7.1 to 7.3, and provision 8.3 - Level and mix of remuneration

The level and structure of remuneration of the Board and key management personnel is designed to be appropriate and proportionate to the sustained performance and value creation of the Group, taking into account the strategic objectives of the Group.

Framework for remuneration of Executive Directors and other key management personnel

The Company has a framework of remuneration for the Executive Directors, staff related to Directors and other key management personnel.

The remuneration framework seeks to ensure that the Group is able to attract, motivate and retain employees to deliver long-term shareholder returns taking into consideration risk management principles and standards set out in the Code. The following shows the three main thrusts of the Group's remuneration strategy and how they are implemented within the Group:

Main thrusts	Details
Pay for performance	<ul style="list-style-type: none"> • Instill and drive a pay-for-performance culture • Ensure close linkage between total compensation and annual and long-term business objectives • Calibrate mix of fixed and variable pay to drive sustainable performance that is aligned to Group's values, taking into account qualitative and quantitative factors
Competitive market pay	<ul style="list-style-type: none"> • Benchmarking total compensation against other organisations of similar size and standing in the markets that the Group operates in
Guarding against excessive risk-taking	<ul style="list-style-type: none"> • Focus on achieving risk-adjusted returns that are consistent with prudent risk and capital management as well as emphasis on long-term sustainable outcomes • Design payout structure to align incentive payments with the long-term performance of the Group through deferral and use of contractual provisions for clawback arrangements

CORPORATE GOVERNANCE REPORT

Under this framework, the total remuneration comprises fixed and variable components. The fixed component comprises basic salary, contractual bonus, statutory employer's contributions to the Central Provident Fund and fixed allowances.

In setting remuneration packages, the RC takes into account pay and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of individual Directors and key management personnel.

Variable component comprises non-contractual bonus and profit sharing that are linked to corporate and individual performance.

The Company also has an ESOS and CES Share Plan, which aim to provide long-term incentives for Directors and key management personnel to encourage loyalty and align the interest of the Directors and key management personnel with those of the shareholders. For details of the ESOS and CES Share Plan, please refer to the Directors' Statement of the annual report.

Use of contractual provisions for Executive Directors and other key management personnel

The service contract with each Executive Director contains a reclamation of incentive component clause to safeguard the Group's interest in exceptional circumstances of misstatement of financial results, or misconduct resulting in financial loss or fraud by the Executive Directors.

For the existing service contracts with other key management personnel, a similar clause will be incorporated in the next revision of their service contracts, expected to take place in 2020.

Framework for NEDs' fees

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

Having regard to the scope and extent of the responsibilities and obligations of the NEDs, prevailing market conditions, and taking reference from fees against comparable benchmarks, the Board has agreed with the RC's recommendation that the fee structure for NEDs in FY2019 will continue to apply in FY2020 save for revised fee for ARC and addition of fee for newly established IC.

The fees for NEDs comprise a basic retainer fee and additional fees for appointment to Board Committees. The chairman of each Board Committee is also paid a higher fee compared with the members of the respective committees in view of the greater responsibility shouldered by the relevant chairman.

Each member of the RC will abstain from any resolutions and making any recommendation and/or participating in any deliberations of the RC in respect of his own remuneration.

CORPORATE GOVERNANCE REPORT

The framework for determining NEDs' fees is as follows:

Basic retainer fee	FY2020	FY2019
Chairman of the Board	S\$100,000 per annum	S\$100,000 per annum
Non-Executive Directors	S\$50,000 per annum	S\$50,000 per annum
ARC		
Committee chairman	S\$30,000 per annum	S\$20,000 per annum
Committee member	S\$20,000 per annum	S\$15,000 per annum
IC		
Committee chairman	S\$20,000 per annum	Not applicable
Committee member	S\$10,000 per annum	Not applicable
NC or RC		
Committee chairman	S\$10,000 per annum	S\$10,000 per annum
Committee member	S\$5,000 per annum	S\$5,000 per annum

The Directors' fees payable to NEDs are recommended by the RC, submitted to the Board for endorsement and thereafter subject to shareholders' approval at the Company's upcoming AGM.

Provision 8.1 (a) - Directors' remuneration/fees and remuneration of the Group CEO

A summary of the remuneration of each Director and the Group CEO which is paid or payable by the Company for FY2019 is set out below:

Remuneration band and name of Director / CEO	Base salary⁽¹⁾	Variable payment⁽²⁾	Other Benefits⁽³⁾	Fees⁽⁴⁾	Total
Above S\$1,000,000					
Raymond Chia ⁽⁵⁾	35%	64%	1%	-	100%
Tan Tee How	50%	49%	1%	-	100%
Below S\$200,000					
Celine Tang	-	-	-	100%	100%
Yam Ah Mee ⁽⁶⁾	-	-	-	100%	100%
Ang Mong Seng	-	-	-	100%	100%
Abdul Jabbar	-	-	-	100%	100%
Lock Wai Han	-	-	-	100%	100%
Low Teck Seng ⁽⁷⁾	-	-	-	100%	100%
Neo Boon Siong ⁽⁸⁾	-	-	-	100%	100%
Ung Gim Sei ⁽⁹⁾	-	-	-	100%	100%
Lui Tuck Yew ⁽¹⁰⁾	-	-	-	100%	100%

CORPORATE GOVERNANCE REPORT

Notes:

- ⁽¹⁾ Base salary includes contractual bonus and employer's Central Provident Fund contributions.
- ⁽²⁾ Variable payment includes performance bonus, profit sharing, share options and employer's Central Provident Fund contribution with respect to that payment.
- ⁽³⁾ Other benefits refer to benefits-in-kind such as car benefits made available as appropriate.
- ⁽⁴⁾ Approved by shareholders as a lump sum at the AGM held on 24 April 2019.
- ⁽⁵⁾ Mr. Raymond Chia is both an Executive Director and the Group CEO.
- ⁽⁶⁾ Mr. Yam Ah Mee was appointed as Non-Executive and Non-Independent Director of the Company on 12 December 2019. For FY2019, besides Director's fees, Mr. Yam also received consultancy fee pursuant to a contract for services entered into between Mr. Yam and CES_SDC Pte. Ltd., a wholly-owned subsidiary of the Company. Please refer to the section below on Principle 10 Audit and Risk Committee-IPTs for more details.
- ⁽⁷⁾ Prof. Low Teck Seng was appointed as an Independent Director of the Company on 12 December 2019.
- ⁽⁸⁾ Dr. Neo Boon Siong was appointed as an Independent Director of the Company on 12 December 2019.
- ⁽⁹⁾ Mr. Ung Gim Sei retired as an Independent Director at the AGM of the Company held on 24 April 2019.
- ⁽¹⁰⁾ Mr. Lui Tuck Yew resigned as an Independent Director of the Company on 31 October 2019.

To protect the interests of the Group, the remuneration of Mr. Raymond Chia and Mr. Tan Tee How is not disclosed in dollar terms and is instead disclosed in band with no upper limit in view of the sensitive and confidential nature of such information. The Company operates in a highly competitive environment where poaching of employees by competitors is fairly common.

As such, the Board believes that such disclosure would pose as a disadvantage to the Group. The total remuneration of the Directors (including Directors' fees) is set out in the financial statements on page 168 of the Annual Report.

Despite having varied from provision 8.1(a) of the Code, the Board believes that consistent with the intent of principle 8 of the Code, sufficient information has been disclosed for shareholders' understanding with respect to the Group's remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

Saved as disclosed in this report, the remuneration of NEDs comprises only Directors' fees. The framework for determining the Directors' fees is disclosed in the earlier paragraph (Remuneration of NEDs).

Provision 8.1 (b) - Remuneration of top five key management personnel

In the interest of maintaining good morale and a strong spirit of teamwork within the Group, the Company has weighed the advantages and disadvantages of the disclosure relating to the individual and aggregate remuneration of the Group's top five key management personnel (who are not Directors or the CEO) for FY2019 and believe that such disclosure may be prejudicial to its business interest given the highly competitive environment it is operating in. The remuneration package of the top five key management personnel (who are not Directors of the Company or the CEO), comprising mainly salaries and bonuses, aggregated to a total remuneration of S\$3,268,000 for FY2019. Their profiles are found on pages 30 and 31 of the annual report.

Despite having varied from provision 8.1(b) of the Code, the Board believes that consistent with the intent of principle 8 of the Code, sufficient information has been disclosed for shareholders' understanding with respect to the Group's remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

CORPORATE GOVERNANCE REPORT

Provision 8.2 - Disclosure on remuneration of employees who are substantial shareholders, immediate family members of a Director, the CEO or a substantial shareholder of the Company, whose remuneration exceeds S\$100,000

	Relationship with Director/CEO/ Substantial Shareholder	Base salary ⁽¹⁾	Variable payment ⁽²⁾	Allowances and other benefits ⁽³⁾	Total
\$300,000 to \$400,000					
Lim Sock Joo	Spouse of Raymond Chia ⁽⁴⁾	78%	18%	4%	100%

Notes:

- ⁽¹⁾ Base salary includes contractual bonus and employer's Central Provident Fund contributions.
- ⁽²⁾ Variable payment includes performance bonus, profit sharing and employer's Central Provident Fund contribution with respect to that payment.
- ⁽³⁾ Other benefits refer to benefits-in-kind such as car benefits made available as appropriate.
- ⁽⁴⁾ Mr. Raymond Chia is an Executive Director and the Group CEO of the Company.

ACCOUNTABILITY AND AUDIT

PRINCIPLE 9: RISK MANAGEMENT AND INTERNAL CONTROLS

Provision 9.1 - Maintenance of a sound risk management system and internal controls

The Board, with support from the ARC, is responsible for the governance of risks by ensuring that Management maintains a sound risk management system and internal controls to safeguard the interests of the Group and that of the Company's stakeholders.

The Board has overall responsibility for governance risk and exercises oversight of the material risks in the businesses conducted by the Group. The ARC is responsible for making the necessary recommendations to the Board such that an opinion regarding the adequacy and effectiveness of the risk management and internal control systems of the Group can be made by the Board in the annual report of the Company according to requirements in the SGX-ST Listing Manual and the Code.

To strengthen its internal audit function, the Company has in FY2019 appointed KPMG Services Pte. Ltd. ("**KPMG**" or "**Internal Auditors**") to provide internal audit services. On an annual basis, the Group's internal audit function prepares an audit plan taking into consideration risks identified and assessed from the risk management system. This risk-based audit plan is approved by the ARC and audits are conducted to assess the adequacy and effectiveness of the Group's system of internal controls in addressing financial, operational, compliance and information technology risks. In addition, material control weaknesses over financial reporting, if any, are highlighted by the external auditors in the course of the statutory audit.

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

CORPORATE GOVERNANCE REPORT

Provision 9.2 - Written assurance regarding (i) financial records and financial statements and (ii) adequacy and effectiveness of the Group's risk management and internal control systems

The Board has written received assurance from the Group CEO and the CFO that as at 31 December 2019:-

- (a) nothing has come to their attention which would render the financial statements to be false or misleading in any material aspects;
- (b) the financial records of the Group have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances;
- (c) the Group's internal controls, including financial, operational, compliance and information technology controls, and risk management systems ("**Internal Control and Risk Management Systems**") are adequate and effective in addressing the material risks in the Group's current business environment; and
- (d) there are no known significant deficiencies or lapses in the Internal Control and Risk Management Systems which could adversely affect the Group's ability to record, process, summarise or report financial data, or any fraud that involves Management or other employees who have a significant role in the Internal Control and Risk Management Systems.

The Board has also received written assurance from other key management personnel having authority and responsibility for planning, directing and controlling the activities of the Group that:

- (a) the Internal Control and Risk Management Systems are adequate and effective in addressing the material risks in the Group's current business environment; and
- (b) there are no known significant deficiencies or lapses in the Internal Control and Risk Management Systems which could adversely affect the Group's ability to record, process, summarise or report financial data, or any fraud that involves Management or other employees who have a significant role in the Internal Control and Risk Management Systems.

Rule 1207(10) of the SGX-ST Listing Manual

Based on the reviews conducted by Management and KPMG throughout the financial year, the statutory audit conducted by the external auditor, as well as the assurances pursuant to provision 9.2 of the Code received from (i) the Group CEO and the CFO and (ii) other key management personnel, the Board, with the concurrence of the ARC, is of opinion that the Internal Control and Risk Management Systems were adequate and effective for FY2019.

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

CORPORATE GOVERNANCE REPORT

PRINCIPLE 10: AUDIT AND RISK COMMITTEE

Provisions 10.1 to 10.3 and 10.5 - Duties and composition of the ARC

The Audit Committee is renamed as "Audit and Risk Committee" with effect from 20 February 2020.

The ARC comprises the following four members, all of whom are Independent Directors:

1. Dr. Neo Boon Siong (Chairman)
2. Mr. Abdul Jabbar Bin Karam Din
3. Mr. Lock Wai Han
4. Prof. Yaacob Bin Ibrahim

The Board is of the view that the members of the ARC have recent and relevant accounting or related financial management expertise or experience to discharge the ARC's functions. None of the ARC members is a former partner or director of the Company's existing auditing firm or auditing corporation within a period of two years commencing on the date of their ceasing to be a partner of the auditing firm or director of the auditing corporation, and in any case, for as long as they have any financial interest in the Company's existing auditing firm or auditing corporation.

The terms of reference of the ARC include the following:

- reviewing the significant financial reporting issues and judgements to ensure the integrity of the financial statements of the Group and any formal announcement relating to the Group's financial performance before their submission to the Board;
- reviewing and reporting to the Board at least annually on the adequacy and effectiveness of the Internal Control and Risk Management Systems;
- reviewing the adequacy and effectiveness of the Group's internal audit function at least annually, including the adequacy of internal audit resources and its appropriate standing within the Group, as well as the scope and the results of the internal audit procedures;
- reviewing the scope and results of the external audit work, the cost effectiveness of the audit, and the independence and objectivity of the external auditors;
- making recommendations to the Board on proposals to the shareholders on the appointment, re-appointment and removal of the external auditors and the remuneration and terms of engagement of the external auditors; and
- reviewing IPTs in accordance with the requirements of the SGX-ST Listing Manual.

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

CORPORATE GOVERNANCE REPORT

Summary of the ARC's activities in FY2019

The ARC met four times during FY2019. The CFO, the Joint Company Secretaries, Internal Auditors and Ernst & Young LLP ("**External Auditors**") were invited to these meetings. Other members of Management were also invited to attend as appropriate to present reports.

During FY2019, the ARC met with the External Auditors and Internal Auditors separately, without the presence of Management. These meetings provide a discrete forum for the External Auditors and Internal Auditors to raise issues encountered in the course of their work directly to the ARC.

The principal activities of the ARC during FY2019 are summarised below:

- a. reviewed the quarterly and full year financial statements and engaged Management, the CFO and the External Auditors in discussions on the significant accounting policies, judgement and estimate applied by Management in preparing these financial statements; and recommended to the Board for approval of the financial statements on satisfaction with its review;
- b. reviewed all announcements relating to the Group's financial performance; and recommended to the Board for approval of these announcements on satisfaction with its review;
- c. reviewed the audit plan and audit report of the Internal Auditors and External Auditors and assessed the adequacy of the Internal Control and Risk Management Systems as well as the level of the co-operation given by Management to the Internal Auditors and External Auditors;
- d. recommended to the Board for re-appointment of Ernst & Young LLP as the External Auditors for the ensuing year;
- e. undertook a review of the independence and objectivity of the External Auditors through discussions with the External Auditors as well as reviewing the non-audit fees awarded to them. The ARC received a yearly report setting out the non-audit services provided by the External Auditors and the fees charged in connection therewith. An analysis of fees paid in respect of audit and non-audit services provided is disclosed in Note 8 to the financial statements;
- f. reviewed the nature and extent of non-audit services provided by the External Auditors;
- g. reviewed the reports and findings from the Internal Auditors in respect of the adequacy of the Internal Control and Risk Management Systems;
- h. reviewed the Group's IPTs to ensure that the transactions were carried out on normal commercial terms and not prejudicial to the interests of the Company and its minority shareholders. The ARC is satisfied that the internal controls over the identification, evaluation, review, approval and reporting of IPTs are effective; and
- i. reviewed the adequacy of the Group's whistle blowing policy.

Following its review of the nature and extent of non-audit services provided by the External Auditors, the ARC was satisfied that the nature and extent of such services would not affect the independence of the External Auditors.

Certain of the Company's subsidiaries and significant associated companies have a different set of auditors from that of the Company for varying reasons, for instance, efficiency and cost effectiveness in retaining the existing auditors after the acquisition of such subsidiary or significant associated company. In any case, Management would have assessed the suitability and competency of the existing auditors of such subsidiaries and significant associated companies. The ARC having reviewed Management's assessment, is therefore satisfied that these appointments would not compromise the standard and effectiveness of the Company's audit. Accordingly, the Group is in compliance with Rules 712 and Rule 715 (read with Rule 716) of the SGX-ST Listing Manual.

CORPORATE GOVERNANCE REPORT

IPTs

The Company has procedures governing all IPTs to ensure that they are carried out on an arm's length basis, on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

The following are IPTs with Directors and relatives of Directors in FY2019:

Name of interested person	Nature of Relationship	Aggregate value of all IPTs conducted during the financial year (excluding transactions below \$100,000) (\$'000)
<i>Interest paid for term notes held⁽¹⁾</i>		
Celine Tang	Non-Executive and Non-Independent Director and Non-Executive Chairman	1,162
Raymond Chia and Lim Sock Joo ⁽²⁾	Executive Director and Group CEO	290

Note:

- (1) The term notes were issued pursuant to the Company's Multicurrency Debt Issuance Programme which allows either the Company or its wholly-owned subsidiary, CES Treasury Pte. Ltd., to issue notes thereunder.
- (2) held jointly. Mdm. Lim Sock Joo is the spouse of Mr. Raymond Chia.

Each of Mr. Tan Tee How (the Company's Executive Director), Mr. Ang Mong Seng (the Company's Lead Independent Director) and Mr. Lui Tuck Yew (the Company's Independent Director who resigned with effect from 31 October 2019) received interest payments in FY2019 for term notes held by them, which term notes were issued pursuant to the Company's Multicurrency Debt Issuance Programme. The interest payments received by Mr. Tan Tee How, Mr. Ang Mong Seng and Mr. Lui Tuck Yew in FY2019 is less than S\$100,000 in each case.

As announced by the Company on 12 December 2019, Mr Yam Ah Mee (the Company's Non-Executive and Non-Independent Director) will provide certain management and supervisory services to CES_SDC Pte. Ltd. (which is a wholly-owned subsidiary of the Company with effect from 12 December 2019 and formerly known as Sembcorp Design and Construction Pte. Ltd.) pursuant to a contract for services. While the contract for services constitutes an IPT for the purposes of Chapter 9 of the SGX-Listing Manual, the amount of consultancy fees paid to Mr Yam Ah Mee under such contract in FY2019 is less than S\$100,000.

The Company does not have a general shareholders' mandate for IPTs pursuant to Rule 920 of the SGX-ST Listing Manual.

Whistle blowing

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

The Group is committed to a high standard of ethical conduct and adopts a zero tolerance approach towards fraud and other misconduct. The Group will treat all information received with utmost confidentiality and protect the identity and the interests of any whistle blower. Anonymous disclosures will be accepted and anonymity honoured. Reports of suspected fraud, corruption, dishonest practices or other forms of misconduct can be lodged by contacting any one of the members of a reporting committee comprising the Executive Directors, the Group CEO, the chairman of the ARC, the CFO and the Chief Human Resources Officer.

All cases will be investigated with objectivity and appropriate remedial measures will be taken where warranted. All whistle blowing matters are reviewed monthly by the chairman of the ARC and quarterly by the members of the ARC. Matters requiring immediate or urgent attention are reported immediately to the chairman of the ARC.

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

CORPORATE GOVERNANCE REPORT

Provision 10.4 - Internal Audit Rule 1207(10C) of the SGX-ST Listing Manual

The internal audit function is outsourced to KPMG which is staffed by qualified personnel. The ARC approves the hiring, removal, evaluation and compensation of the auditing firm to which the internal audit function is outsourced.

The Internal Auditors are guided by the standards set by nationally or internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors. The Internal Auditors report to the chairman of the ARC and have unrestricted access to the ARC. The Internal Auditors also have unfettered access to all the Group's documents, records, properties and personnel.

The ARC will review the findings of the Internal Auditors and will ensure that the Group follows up on the Internal Auditors' recommendations. The ARC will review the adequacy of the internal audit function annually to ensure that the internal audit function is adequately resourced and able to perform its function effectively and objectively.

For FY2019, the ARC is satisfied that the internal audit function is independent, effective and adequately resourced.

SHAREHOLDER RIGHTS AND ENGAGEMENT

PRINCIPLE 11: SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

The Board ensures that all the Company's shareholders are treated equitably for them to exercise their shareholders' rights and have the opportunity to communicate their views on matters affecting the Company. The Company gives shareholders a balanced and understandable assessment of its performance position and prospects.

Provisions 11.1 to 11.5 - Participation and voting at general meetings of shareholders

General meetings are the principal forum for dialogue with shareholders. The Company ensures that shareholders have the opportunity to participate effectively and vote at general meetings of shareholders and informs shareholders of the rules, including voting procedures, governing such meetings. The Board believes that general meetings serve as an opportune forum for shareholders to meet the Board and key management personnel and to interact with them as well as for the Company to solicit and understand the views of shareholders. Information on general meetings is disseminated through notices in the annual reports or circulars sent to all shareholders. The notices are also released via SGXNET.

Every matter requiring shareholders' approval is proposed as a separate resolution. It does not "bundle" resolutions, unless the resolutions are interdependent and linked as to form one significant proposal. Where the resolutions are "bundled", the Company will explain the reasons and material implications.

All resolutions are put to the vote by electronic poll voting. Voting by poll allows for an equitable and transparent voting process. Shareholders will be better able to demonstrate their concerns in a manner more accurately reflective of their shareholdings. Independent scrutineers are appointed to conduct the voting process. The independent scrutineer briefs the shareholders on the e-polling voting process and verify and tabulate votes after each resolution. The results of the voting at the general meetings showing the number of votes cast for and against each resolution and the respective percentages are shown to the shareholders at the end of each resolution before the chairman of the meeting makes a declaration on the passing (or not) of the resolution. In addition, the voting results at the general meetings and the name of the independent scrutineer will be announced via SGXNET immediately after each general meeting.

The Company's Constitution permits shareholders to participate at a general meeting by telephone or video conference or by means of similar communication equipment whereby all persons participating in the meeting are able to hear and, if applicable, see each other and such participation shall constitute presence in person at such meeting and members (or their proxy or in the case of a corporation, their respective corporate representatives) so participating shall be counted in the quorum for the meeting. However, in practice, as the authentication of shareholder identity and other related security and integrity issues remain a concern, the Company has yet to implement such absentia voting at its general meetings.

CORPORATE GOVERNANCE REPORT

Nonetheless, shareholders may vote in person by way of proxy forms deposited, in person or by mail, at the office address of the Share Registrar at least 72 hours before the meetings. Registered corporate shareholders or nominee companies, who are unable to attend a meeting are provided with the option to appoint not more than two proxies to attend and vote at such meeting. This allows shareholders who hold shares through such corporation to attend and participate in general meetings as proxies.

All the Directors attended the AGM in relation to FY2018 together with the External Auditors and key management personnel to address any relevant queries raised by shareholders. Independent scrutineers were also present at the AGM in relation to FY2018 to review the voting process and address shareholders' queries on the voting procedures.

The Chairman of the Board and the respective chairman of the ARC, the NC and the RC are usually present and available at general meetings to address shareholders' queries. Appropriate key management personnel are also present at such meetings to address operational questions from shareholders. In addition, in the case of annual general meetings, the External Auditors are also present to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report. The Directors' attendance at the general meetings of the Company held in 2019 is disclosed under provision 1.5 above.

The Joint Company Secretaries prepare minutes of general meetings, which record substantial comments and queries from shareholders relating to the agenda of such meetings. The Company currently does not publish its minutes of general meetings on its corporate website. However, the minutes are available to shareholders upon request.

Provision 11.6 - Dividend policy

The Group's dividend policy is to declare and pay an annual dividend, should the circumstances permit. In the event that the Board decides not to declare or recommend a dividend, the Company would disclose the reason(s) for the decision together with the announcement of the financial statements.

For FY2019, the Board has proposed a final dividend of 4.0 Singapore cent per ordinary share, which is subject to approval of the shareholders at the forthcoming AGM.

In considering the level of dividend payments, the Board takes into account various factors including:

- the profitability of the Company;
- the level of the Company's available cash;
- the return on equity and retained earnings; and
- the Group's projected levels of capital expenditure and other investment plans.

PRINCIPLE 12: ENGAGEMENT WITH SHAREHOLDERS

Provisions 12.1 to 12.3 - Interaction/engagement 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 Listing Manual, the Board's policy is to provide timely information to all shareholders of all major developments that impact the Group via SGXNET.

The Company values dialogue sessions with its shareholders and is committed to hearing shareholders' views and addressing their concerns. During general meetings of the Company, the Board devotes time and attention to address questions from and concerns raised by shareholders and the Directors are generally present for the entire duration of the meetings. The chairman of the meeting will also endeavour to facilitate constructive dialogue between shareholders and the Board. In addition, members of the Board and key management personnel make themselves available to interact with shareholders both before and after general meetings. When necessary and appropriate, Management will also meet up with analysts and fund managers who wish to seek a better understanding of the Group's operations.

CORPORATE GOVERNANCE REPORT

Other than communicating with members of the Board and key management personnel at general meetings, shareholders may also contact the CFO or the Company on any investor relations matters by emailing to ir@chipengseng.com.sg.

MANAGING STAKEHOLDERS RELATIONSHIPS

PRINCIPLE 13: ENGAGEMENT WITH STAKEHOLDERS

Provisions 13.1 and 13.2 - Identification and engagement with material stakeholder groups, including managing relationships with such groups

The Company believes that forging good relationships with its stakeholders is crucial for the sustainable growth of its business and its key stakeholders include suppliers, customers, employees, authorities, and local communities.

To understand stakeholders' expectations, the Group engages and fosters trusted relationships through listening to their views and responding to their concerns. The frequency of ongoing engagement with various stakeholders depends on mutual needs and expectations.

The key areas of focus in relation to the management of stakeholder relationships are set out in the Company's annual sustainability report.

Provision 13.3 - Corporate website

The Group maintains a current and updated corporate website.

All materials on the Company's financial results, as well as the latest annual report of the Company, are available on the Company's website at www.chipengseng.com.sg. The website also contains various other investor-related information about the Company which serves as an important resource for its shareholders and all other stakeholders.

MATERIAL CONTRACTS

Except as disclosed in Note 28 (Related Party Transactions) of the notes to the financial statements, there were no other material contracts of the Company and its subsidiaries involving the interests of each Director or controlling shareholder, either still subsisting as at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year.

DEALING IN COMPANY'S SECURITIES

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

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

In view of the processes in place, in the opinion of the Directors, the Company has complied with Rule 1207(19) of the SGX-ST Listing Manual (Dealings in Securities).

CORPORATE GOVERNANCE REPORT

USE OF PROCEEDS

Set out is a status report as at date of this report on the utilisation of the net proceeds ("**Net Proceeds**") raised from the renounceable underwritten rights issue undertaken by the Company in 2019 of 156,503,515 new ordinary shares in the capital of the Company ("**Rights Shares**") at an issue price of S\$0.63 for each Rights Share, on the basis of one Right Share for every four existing ordinary shares in the capital of the Company ("**Rights Issue**"):

Intended use of Net Proceeds	Original allocation of Net Proceeds (S\$ million)	Actual amount utilised (S\$ million)	Unutilised amount (S\$ million)
To finance the possible expansion of the property development segment of the Group's business in Singapore and overseas	50.0	-	45
To finance the Group's possible strategic investments and/or acquisitions in the education segment of its business, which is in line with the Group's recent diversification into the education sector	20.0	36.9	-
To finance the growth and operations of the hospitality segment of the Group's business	10.0	9.6	-
For general corporate purposes including general and working capital requirements of the Group ⁽¹⁾	16.3	4.8	-

Note:

(1) payment of operating expenses, such as payroll and related expenses

The utilisations set out in the above table are in accordance with the intended use as stated in the offer information statement of the Company dated 23 September 2019 in relation to the Rights Issue and lodged with the Monetary Authority of Singapore on 23 September 2019, except for the increased allocation for the Group's education business segment (the "**Education Business**") in order to capitalise on the expansion and investment opportunities which have presented themselves in the last quarter of 2019. As at the date of this report, a total of approximately S\$36.9 million of Net Proceeds has been applied towards the Education Business, which exceeds the S\$20.0 million of Net Proceeds originally allocated for it. The following amounts were channelled towards the Education Business:

- (i) approximately S\$5.0 million from the S\$50.0 million originally allocated for the property development segment of the Group's business;
- (ii) approximately S\$0.4 million from the S\$10.0 million originally allocated for the hospitality segment of the Group's business; and
- (iii) approximately S\$11.5 million originally allocated for the Group's general corporate purposes.

FINANCIAL CONTENTS

75	Directors' Statement
82	Independent Auditor's Report
87	Consolidated Income Statement
88	Consolidated Statement of Comprehensive Income
89	Balance Sheets
91	Statements of Changes in Equity
94	Consolidated Cash Flow Statement
96	Notes to the Financial Statements

DIRECTORS' STATEMENT

The directors are pleased to present their statement 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 2019.

1. Opinion of the directors

In the opinion of the directors,

- (i) the consolidated financial statements of the Group and the balance sheet, and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and the financial performance, 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.

2. Directors

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

Celine Tang	(Non-Executive and Non-Independent Chairman)
Chia Lee Meng Raymond	(Executive Director and Group Chief Executive Officer)
Tan Tee How	(Executive Director)
Yam Ah Mee	(Non-Executive and Non-Independent Director) (Appointed on 12 December 2019)
Ang Mong Seng	(Independent Director)
Abdul Jabbar Bin Karam Din	(Independent Director)
Lock Wai Han	(Independent Director)
Low Teck Seng	(Independent Director) (Appointed on 12 December 2019)
Neo Boon Siong	(Independent Director) (Appointed on 12 December 2019)
Yaacob Bin Ibrahim	(Independent Director) (Appointed on 20 February 2020)

3. Arrangements to enable directors to acquire shares and debentures

Except as disclosed in this statement, 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 objects 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' STATEMENT

4. 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, Chapter 50, an interest in shares, share options and debentures of the Company as stated below:

Name of Director	Direct interest			Deemed interest		
	At 01.01.2019 or date of appointment	At 31.12.2019	At 21.01.2020	At 01.01.2019 or date of appointment	At 31.12.2019	At 21.01.2020
The Company						
<i>(No. of ordinary shares)</i>						
Celine Tang ⁽¹⁾	168,907,000	284,454,903	284,454,903	17,198,000	21,497,500	21,497,500 ⁽²⁾
Chia Lee Meng Raymond	11,125,000	13,906,250	14,406,250	9,702,000	12,127,500	12,127,500
Ang Mong Seng	146,000	182,500	182,500	–	–	–
Lock Wai Han	90,000	–	–	–	–	–
Yam Ah Mee ⁽¹⁾	20,000	20,000	20,000	–	–	–
Options to acquire ordinary shares of the Company at 1 share for each option under the Chip Eng Seng Employee Share Option Scheme						
Chia Lee Meng Raymond	35,000,000	45,000,000	45,000,000	–	–	–
Tan Tee How	–	5,000,000	5,000,000	–	–	–
4.75% fixed rate notes due 14 June 2021 pursuant to the Multicurrency Debt Issuance Programme established on 18 Oct 2013						
Chia Lee Meng Raymond ⁽¹⁾	\$2,000,000	\$2,000,000	\$2,000,000	–	–	–
Ang Mong Seng	\$250,000	–	–	–	–	–
4.90% fixed rate notes due 19 May 2022 pursuant to the Multicurrency Debt Issuance Programme established on 18 Oct 2013						
Chia Lee Meng Raymond ⁽¹⁾	\$3,000,000	\$3,000,000	\$3,000,000	–	–	–
Ang Mong Seng	\$250,000	–	–	–	–	–

⁽¹⁾ held jointly with spouse

⁽²⁾ deemed interest at date of this Directors' Statement is Nil.

DIRECTORS' STATEMENT

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

Name of Director	Direct interest			Deemed interest		
	At 01.01.2019 or date of appointment	At 31.12.2019	At 21.01.2020	At 01.01.2019 or date of appointment	At 31.12.2019	At 21.01.2020
Subsidiary						
- CES Treasury Pte. Ltd.						
6.00% fixed rate notes due 15 March 2022 pursuant to the Multicurrency Debt Issuance Programme established on 18 Oct 2013						
Celine Tang ⁽¹⁾	- \$26,500,000	\$26,500,000		-	-	-
Chia Lee Meng Raymond	-	-	-	-	\$1,000,000	\$1,000,000
Tan Tee How	-	\$1,000,000	\$1,000,000	-	-	-
Ang Mong Seng	-	\$500,000	\$500,000	-	-	-

⁽¹⁾ held jointly with spouse

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, at the end of the financial year, or on 21 January 2020.

5. Share Plans

The Company has a Chip Eng Seng Employee Share Option Scheme 2013 (the "ESOS") and Chip Eng Seng Performance Share Plan (the "CES Share Plan") which are administered by the Remuneration Committee comprising three directors namely Ang Mong Seng (Chairman), Abdul Jabbar Bin Karam Din (Member) and Low Teck Seng (Member) (collectively, the "Scheme Committee"). Details of the ESOS and CES Share Plan are as follows:

(a) ESOS

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

- (i) Confirmed employees who have attained the age of 21 years and hold such rank as may be designated by the Scheme Committee from time to time and who, in the opinion of the Scheme Committee, have contributed or will contribute to the success of the Group and/or associated companies;
- (ii) Executive directors;
- (iii) Non-executive directors; and
- (iv) Persons who are Controlling Shareholders or their Associates are permitted to participate in the ESOS (subject to them meeting the eligibility criteria set out above).

DIRECTORS' STATEMENT

5. Share Plans (cont'd)

(a) ESOS (cont'd)

On 9 April 2019 ("date of grant"), the Company has granted 15,000,000 share options at the exercise price of S\$0.7619 per ordinary share under the ESOS. The options were offered at a 5% discount to the market price of the Company's shares based on the average of the last dealt prices for the shares on the Singapore Exchange Securities Trading Limited over the five (5) consecutive market days immediately preceding the date of grant of the options. These options are exercisable only after 2 years from date of grant and expire in stages before the eighth anniversary from the date of grant and in accordance with the following validity period:

Validity period	Number of options granted to:	
	Chia Lee Meng Raymond	Tan Tee How
Expire on 4 th anniversary from the date of grant of option	1,000,000	1,000,000
Expire on 5 th anniversary from the date of grant of option	1,000,000	1,000,000
Expire on 6 th anniversary from the date of grant of option	2,000,000	1,000,000
Expire on 7 th anniversary from the date of grant of option	3,000,000	1,000,000
Expire on 8 th anniversary from the date of grant of option	3,000,000	1,000,000

Details of options granted in previous financial years were set out in the Directors' Statement for the respective years.

The details of options granted to the Executive Directors of the Company under the ESOS are as follows:

Name of participant	Options granted during financial year under review (including terms)	Aggregate options granted since commencement of scheme to end of financial year under review	Aggregate options exercised since commencement of scheme to end of financial year under review	Aggregate options outstanding as at end of financial year under review
Chia Lee Meng Raymond	10,000,000	50,000,000	5,000,000	45,000,000
Tan Tee How	5,000,000	5,000,000	–	5,000,000

The persons to whom the options have been granted do not have the right to participate by virtue of the options in any share issue of any other company in the Group.

Save as disclosed above, no options have been granted to controlling shareholders or their associates, and no employee has received 5% or more of the total options available under the ESOS.

DIRECTORS' STATEMENT

5. Share Plans (cont'd)

(a) ESOS (cont'd)

The number of unissued ordinary shares of the Company under option in relation to ESOS at the end of financial year was as follows:

	No. of options	Exercise price	Option period
2016 Options	35,000,000	\$0.5542	03.06.2016-02.06.2024
2019 Options	15,000,000	\$0.7619	09.04.2019-08.04.2027

(b) CES Share Plan

Objectives

The CES Share Plan was approved at an Extraordinary General Meeting held on 26 April 2017. 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' STATEMENT

5. Share Plans (cont'd)

(b) CES 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 prescribed performance targets and/or service conditions or otherwise having performed well and/or had a significant contribution to the Group.

Size of the 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 the CES Share Plan

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

No performance shares were granted conditionally under the CES Share Plan during the year.

6. Audit and Risk Committee

The Audit and Risk Committee (the "ARC") carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Chapter 50, including the following:

- reviewed the quarterly and full year financial statements and engaged Management, the Chief Financial Officer and the external auditor in discussions on the significant accounting policies, judgement and estimate applied by Management in preparing these financial statements; and recommended to the Board for approval of the financial statements on satisfaction with its review;
- reviewed all announcements relating to the Group's financial performance; and recommended to the Board for approval of these announcements on satisfaction with its review;
- reviewed the audit plan and audit report of the internal auditor and external auditor and assessed the adequacy of the Internal Control and Risk Management Systems as well as the level of the co-operation given by Management to the internal auditor and external auditor;
- recommended to the Board for re-appointment of Ernst & Young LLP as the external auditor for the ensuing year;
- undertook a review of the independence and objectivity of the external auditor through discussions with the external auditor as well as reviewing the non-audit fees awarded to them;

DIRECTORS' STATEMENT

6. Audit and Risk Committee (cont'd)

- reviewed the nature and extent of non-audit services provided by the external auditor;
- reviewed the reports and findings from the internal auditor in respect of the adequacy of the Internal Control and Risk Management Systems;
- reviewed the Group's interested person transactions to ensure that the transactions were carried out on normal commercial terms and not prejudicial to the interests of the Company and its minority shareholders; and
- reviewed the adequacy of the Group's whistle blowing policy.

The ARC convened four meetings during the year with full attendance from all members. The ARC 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 ARC are disclosed in the Corporate Governance Report.

7. Auditor

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the board of directors:

Chia Lee Meng Raymond
Executive Director and
Group Chief Executive Officer

Tan Tee How
Executive Director

Singapore
20 March 2020

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2019

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Chip Eng Seng Corporation Ltd. (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2019, 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 notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the *Auditor's responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2019

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

Key Audit Matters (cont'd)

Accounting for construction contracts and development properties under construction

The Group is involved in both construction and property development projects. The Group recognises revenue over time for its construction and residential property development projects in Singapore using the input method based on actual costs incurred to-date to the total budgeted costs for each project. If the unavoidable costs of meeting the obligations under a contract exceeds the economic benefits expected to be received under it, a provision for onerous contract is recognised. The uncertainty and subjectivity involved in determining the budgeted cost and progress towards completion may have a significant impact on the results of the Group, including the provision for onerous contracts. As such, we determined this to be key audit matter.

As part of our audit procedures, we reviewed contract terms and conditions and the contractual sums, and substantiated project revenues and costs incurred against the underlying documents. We assessed management's assumptions in determining the percentage of completion, total transaction price and total budgeted cost estimated for significant projects. We assessed the appropriateness of inputs, amongst others, materials, subcontractor and labour costs used by management in their estimation of the total costs to complete and obtained supporting documentation on the major inputs. We also checked the arithmetic accuracy of the revenue and profit recognised during the year based on the percentage of completion computation for individually significant projects. We also perused customers and subcontractor correspondences and discussed the progress of the projects with the Group's various project management personnel for signs of any potential disputes, variation order claims, known technical issues or significant events that could impact the total estimated costs. We evaluated the adequacy of the disclosures of significant accounting policies for construction contracts, development properties under construction, provision for onerous contracts and contract balances and their related disclosures in Notes 4, 18 and 23.

Valuation of investment properties

The Group owns a portfolio of investment properties, comprising commercial properties located in Singapore and Australia. The Group records its investment properties at their fair values based on independent external valuations using the following approaches:

- Market comparable approach where significant management judgements are required on transacted price of comparable properties adjusted for location, size, tenure, age and condition of the investment properties
- Capitalisation approach which involved estimation uncertainties on capitalisation rate and net rental income used

The valuation is significant to our audit due to their magnitude, complexity and is highly sensitive to changes in the key assumptions applied. Accordingly, we determined this as a key audit matter.

As part of our audit procedures, we considered the objectivity, independence and expertise of the external valuation specialists. We assessed the appropriateness of the valuation models, property-related data, including estimates and key assumptions used by the external valuation specialists. In addition, we assessed the appropriateness of the data used by the management and the external specialists in the estimation process, and the movements in fair value of the investment properties. We also evaluated the adequacy of the related disclosures in Notes 12 and 31 relating to the investment properties and the assumptions used, given the estimation uncertainty and sensitivity of the valuations.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2019

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

Key Audit Matters (cont'd)

Carrying value of hotel assets

The Group is the owner of several hotels in Australia, Maldives and Singapore which are classified as property, plant and equipment in the financial statements. The Group's policy is to carry these hotel assets at cost less accumulated depreciation and any accumulated impairment losses. Management reviews the carrying value of the hotel assets and assesses if there is any indication of impairment in its hotel assets by considering individual hotel asset's operating performance and the fair values of the hotels based on independent external valuations. Management then applies its judgement in the assessment of the recoverability of the amounts invested in the hotel assets. Such judgement focuses predominantly on future hotel operating performance, which is, amongst others, dependent on the expected occupancy rates, revenue growth rates and the competitive landscape in local markets. Management assesses, on an annual basis, whether there are triggering events indicating potential impairment.

The impairment assessment was significant to our audit due to the carrying amounts of the hotel assets (representing 37.2% of the total non-current assets as at 31 December 2019) and the judgement involved in making various assumptions to the underlying valuation used in the impairment assessment. Accordingly, we determined this as a key audit matter.

As part of our audit procedures, we evaluated the Group's policies and procedures to identify triggering events for potential impairment and any material changes in the carrying value of hotel assets. We validated the main cash flow assumptions used in the external valuations and corroborated them by comparing them to internal forecasts and long term and strategic plans that were approved by management as well as historical trend analyses. We also involved our valuation specialist to evaluate the reasonableness of the capitalisation and discount rates utilised in the forecasts. We also evaluated the adequacy of the related disclosures in Note 11 relating to the hotel assets within property, plant and equipment.

Accounting for business combination

We refer to Note 14 of the financial statements, the Group acquired a subsidiary, Invictus International School Pte. Ltd. for a total purchase consideration of \$13,024,000 during the financial year ended 31 December 2019. We have determined this to be a key audit matter based on the quantitative materiality of the acquisition and the significant management judgement required in the purchase price allocations (PPA) exercise, particularly on the valuation of the intangible assets such as student population. In our audit of the accounting for the acquisition, we reviewed the purchase agreements to obtain an understanding of the transactions. An important element of our audit relates to the identification and measurement of the acquired assets (e.g. student population), and liabilities (provisions, other liabilities). We tested this identification based on our discussion with management and board and understanding of the acquired company's business. Management prepared the PPA assisted by an external valuation expert. We assessed the competence, capabilities and objectivity of the external expert engaged by management. Our internal valuation specialist was engaged to support us in assessing the reasonableness of management's valuation methodology and assessing the reasonableness of key assumptions and inputs used in measuring the fair value of acquired assets. We have also assessed the reasonableness of the closing balances as at the date of acquisition.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2019

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

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I), 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 financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2019

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

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Nelson Chen.

Ernst & Young LLP
Public Accountants and
Chartered Accountants

Singapore
20 March 2020

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2019

	Note	2019 \$'000	2018 \$'000
Revenue	4	1,055,639	1,080,234
Cost of sales		(860,766)	(837,786)
Gross profit		194,873	242,448
Other items of income			
Interest income	5	6,920	5,613
Other income	6	6,916	3,758
Other items of expense			
Marketing and distribution		(13,900)	(14,106)
Administrative expenses		(96,471)	(94,224)
Finance costs	7	(58,890)	(50,373)
Share of results of associates and joint venture		4,609	4,928
Profit before tax	8	44,057	98,044
Income tax expense	9	(11,500)	(17,794)
Profit for the year		32,557	80,250
Attributable to:			
Owners of the Company		33,320	63,121
Non-controlling interests		(763)	17,129
		32,557	80,250
Earnings per share attributable to owners of the Company (cents per share)			
Basic	10	5.06	10.13
Diluted	10	5.02	9.93

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 2019

	2019	2018
	\$'000	\$'000
Profit for the year	32,557	80,250
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Share of loss on property revaluation of associates	–	(44)
	–	(44)
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation	(2,126)	(13,509)
Share of foreign currency translation of associates and joint venture	(91)	(39)
	(2,217)	(13,548)
Other comprehensive income for the year, net of tax	(2,217)	(13,592)
Total comprehensive income for the year	30,340	66,658
Attributable to:		
Owners of the Company	30,882	50,094
Non-controlling interests	(542)	16,564
Total comprehensive income for the year	30,340	66,658

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

BALANCE SHEETS

As at 31 December 2019

	Note	Group		Company	
		2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Non-current assets					
Property, plant and equipment	11	467,065	364,221	4,306	1,438
Investment properties	12	305,528	250,617	–	–
Intangible assets	13	42,719	16,677	447	509
Investments in subsidiaries	14	–	–	81,642	3,342
Investment in joint venture	15(a)	6,538	3,392	–	–
Investments in associates	16	26,233	6,105	650	650
Deferred tax assets	24	7,761	5,956	–	–
Trade and other receivables	17	32,606	40,411	346,605	275,045
		888,450	687,379	433,650	280,984
Current assets					
Development properties	18	1,373,224	1,410,329	–	–
Inventories	19	2,838	2,152	–	–
Prepayments		4,817	2,708	150	252
Trade and other receivables	17	176,336	123,444	16,391	8,096
Contract assets	4	415,278	501,307	–	–
Capitalised contract costs	4	14,416	16,663	–	–
Cash and short-term deposits	20	378,487	342,558	57,729	41,428
		2,365,396	2,399,161	74,270	49,776
Total assets		3,253,846	3,086,540	507,920	330,760

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

BALANCE SHEETS

As at 31 December 2019

	Note	Group		Company	
		2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Current liabilities					
Loans and borrowings	21	231,880	129,773	–	–
Trade and other payables	22	87,725	64,814	14,252	671
Contract liabilities	4	26,256	99,488	–	–
Other liabilities	23	102,896	48,430	5,507	7,414
Income tax payable		25,574	9,716	186	600
		474,331	352,221	19,945	8,685
Net current assets		1,891,065	2,046,940	54,325	41,091
Non-current liabilities					
Loans and borrowings	21	1,566,464	1,681,360	38,250	38,250
Trade and other payables	22	166,282	140,696	252,140	191,017
Other liabilities	23	64,809	36	667	–
Deferred tax liabilities	24	34,689	38,172	–	36
		1,832,244	1,860,264	291,057	229,303
Total liabilities		2,306,575	2,212,485	311,002	237,988
Net assets		947,271	874,055	196,918	92,772
Equity attributable to owners of the Company					
Share capital	25(a)	175,978	79,691	175,978	79,691
Treasury shares	25(b)	(30,034)	(30,034)	(30,034)	(30,034)
Retained earnings		781,745	773,466	46,869	39,722
Other reserves	26	(9,420)	(5,775)	4,105	3,393
		918,269	817,348	196,918	92,772
Non-controlling interests		29,002	56,707	–	–
Total equity		947,271	874,055	196,918	92,772

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 2019

2019 Group	Attributable to owners of the Company						
	Equity, total	Equity attributable to owners of the Company, total	Share capital (Note 25(a))	Treasury shares (Note 25(b))	Retained earnings	Other reserves (Note 26)	Non- controlling interests
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance at 1 January 2019	874,055	817,348	79,691	(30,034)	773,466	(5,775)	56,707
Profit for the year	32,557	33,320	–	–	33,320	–	(763)
<i>Other comprehensive income</i>							
Foreign currency translation	(2,126)	(2,347)	–	–	–	(2,347)	221
Share of other comprehensive income of associates and joint venture	(91)	(91)	–	–	–	(91)	–
Other comprehensive income for the year, net of tax	(2,217)	(2,438)	–	–	–	(2,438)	221
Total comprehensive income for the year	30,340	30,882	–	–	33,320	(2,438)	(542)
<i>Contributions by and distributions to owners</i>							
Share-based compensation expenses (Note 26)	712	712	–	–	–	712	–
Issue of ordinary shares, net of issuance costs (Note 25)	96,287	96,287	96,287	–	–	–	–
Dividends paid on ordinary shares (Note 35)	(25,041)	(25,041)	–	–	(25,041)	–	–
Dividends paid to non-controlling interest of subsidiary	(29,200)	–	–	–	–	–	(29,200)
Acquisition of subsidiary (Note 14)	2,658	–	–	–	–	–	2,658
Total contributions by and distributions to owners	45,416	71,958	96,287	–	(25,041)	712	(26,542)
<i>Changes in ownership interests in subsidiaries</i>							
Acquisition of non-controlling interest (Note 14)	(2,540)	(1,919)	–	–	–	(1,919)	(621)
Total changes in ownership interest in subsidiaries	(2,540)	(1,919)	–	–	–	(1,919)	(621)
Total transactions with owners in their capacity as owners	42,876	70,039	96,287	–	(25,041)	(1,207)	(27,163)
Closing balance at 31 December 2019	947,271	918,269	175,978	(30,034)	781,745	(9,420)	29,002

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 2019

2018 Group	Attributable to owners of the Company						
	Equity, total \$'000	Equity attributable to owners of the Company, total \$'000	Share capital (Note 25(a)) \$'000	Treasury shares (Note 25(b)) \$'000	Retained earnings \$'000	Other reserves (Note 26) \$'000	Non- controlling interests \$'000
Opening balance at 1 January 2018	824,715	788,329	79,691	(33,653)	735,186	7,105	36,386
Profit for the year	80,250	63,121	–	–	63,121	–	17,129
<i>Other comprehensive income</i>							
Foreign currency translation	(13,509)	(12,944)	–	–	–	(12,944)	(565)
Share of other comprehensive income of associates and joint venture	(83)	(83)	–	–	–	(83)	–
Other comprehensive income for the year, net of tax	(13,592)	(13,027)	–	–	–	(13,027)	(565)
Total comprehensive income for the year	66,658	50,094	–	–	63,121	(13,027)	16,564
<i>Contributions by and distributions to owners</i>							
Share-based compensation expenses (Note 26)	995	995	–	–	–	995	–
Treasury shares reissued pursuant to employee share option plans (Note 25)	2,771	2,771	–	3,619	–	(848)	–
Dividends paid (Note 35)	(24,841)	(24,841)	–	–	(24,841)	–	–
Acquisition of subsidiary (Note 14)	2,137	–	–	–	–	–	2,137
Total contributions by and distributions to owners	(18,938)	(21,075)	–	3,619	(24,841)	147	2,137
<i>Changes in ownership interests in subsidiaries</i>							
Incorporation of a subsidiary with non-controlling interest	1,620	–	–	–	–	–	1,620
Total changes in ownership interest in subsidiaries	1,620	–	–	–	–	–	1,620
Total transactions with owners in their capacity as owners	(17,318)	(21,075)	–	3,619	(24,841)	147	3,757
Closing balance at 31 December 2018	874,055	817,348	79,691	(30,034)	773,466	(5,775)	56,707

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 2019

2019	Total	Share capital	Treasury shares	Retained earnings	Other reserves
Company	\$'000	(Note 25(a))	(Note 25(b))	\$'000	(Note 26)
	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance at 1 January 2019	92,772	79,691	(30,034)	39,722	3,393
Profit for the year, representing total comprehensive income for the year	32,188	–	–	32,188	–
<u>Contributions by and distributions to owners</u>					
Share-based compensation expenses (Note 26)	712	–	–	–	712
Issue of ordinary shares, net of issuance costs (Note 25)	96,287	96,287	–	–	–
Dividends paid (Note 35)	(25,041)	–	–	(25,041)	–
Total contributions by and distributions to owners	71,958	96,287	–	(25,041)	712
Closing balance at 31 December 2019	196,918	175,978	(30,034)	46,869	4,105
2018					
Company					
Opening balance at 1 January 2018	116,943	79,691	(33,653)	67,659	3,246
Loss for the year, representing total comprehensive income for the year	(3,096)	–	–	(3,096)	–
<u>Contributions by and distributions to owners</u>					
Share-based compensation expenses (Note 26)	995	–	–	–	995
Treasury shares reissued pursuant to employee share option plans (Note 25)	2,771	–	3,619	–	(848)
Dividends paid (Note 35)	(24,841)	–	–	(24,841)	–
Total contributions by and distributions to owners	(21,075)	–	3,619	(24,841)	147
Closing balance at 31 December 2018	92,772	79,691	(30,034)	39,722	3,393

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 2019

	Note	2019 \$'000	2018 \$'000
Operating activities			
Profit before tax		44,057	98,044
<u>Adjustments for:</u>			
Interest income	5	(6,920)	(5,613)
Gain on disposal of property, plant and equipment	6	(375)	(231)
Gain on disposal of intangible assets	6	–	(20)
Finance costs	7	58,890	50,373
Property, plant and equipment written off	8	95	1
Provision for onerous contract	8	1,000	7,500
Depreciation of property, plant and equipment	11	25,115	18,810
Impairment of property, plant and equipment	11	4,123	3,922
Fair value (gain)/loss on investment properties	12	(2,766)	1,042
Amortisation of intangible assets	13	511	161
Amortisation of capitalised contract cost	4	14,378	12,752
Impairment of intangible assets	13	460	2,013
Impairment loss on trade receivables, net		–	338
Share-based compensation expenses	26(e)	712	995
Share of results of associates and joint venture		(4,609)	(4,928)
Loss on liquidation of an associate	8	3	17
Unrealised exchange loss		3,526	5,292
Operating cash flows before changes in working capital		138,200	190,468
<u>Changes in working capital:</u>			
Development properties		(7,825)	159,913
Capitalised contract cost	4	(12,137)	(15,343)
Inventories		(698)	165
Prepayments		(2,122)	2,380
Trade and other receivables and contract assets		72,281	(303,432)
Trade and other payables and contract liabilities		(53,081)	(59,444)
Other liabilities		1,273	(12,385)
Cash flows generated from/(used in) operations		135,891	(37,678)
Interest paid		(66,449)	(60,539)
Interest received		7,084	5,613
Income taxes paid		(7,403)	(5,809)
Net cash flows generated from/(used in) operating activities		69,123	(98,413)

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 2019

	Note	2019 \$'000	2018 \$'000
Investing activities			
Net cash outflow on acquisition of subsidiaries	14	(5,440)	(10,377)
Net cash outflow on acquisition of business assets	14	–	(29,690)
Purchase of property, plant and equipment	11	(20,116)	(21,889)
Proceeds from disposal of property, plant and equipment		466	606
Proceeds from liquidation of an associate		27	829
Proceeds from disposal of intangible assets		–	20
Investments in associates		(19,317)	–
Dividend income from associates		534	1,350
(Advances to)/Repayment from associates		(197)	1,058
Additions to intangible assets	13	–	(195)
Additions to investment properties	12	–	(12,819)
Net cash flows used in investing activities		(44,043)	(71,107)
Financing activities			
Repayment of loans and borrowings		(484,890)	(217,347)
Proceeds from loans and borrowings		363,000	701,202
Redemption of term notes		–	(206,750)
Proceeds from issuance of term notes		100,000	–
Proceeds from issuance of shares		96,287	–
Acquisition of non-controlling interest		(2,540)	–
Dividends paid on ordinary shares	35	(25,041)	(24,841)
Dividends paid to non-controlling interest	35	(29,200)	–
Proceeds from exercise of employee share options	25(b)	–	2,771
Proceeds from issuance of new shares by subsidiary to non-controlling interest		–	1,620
Increase in short-term deposits pledged	20	(4,256)	–
Payment of principal portion of lease liabilities		(5,749)	–
Net cash flows generated from financing activities		7,611	256,655
Net increase in cash and cash equivalents		32,691	87,135
Effect of exchange rate changes on cash and cash equivalents		(1,018)	(2,423)
Cash and cash equivalents at beginning of the year		342,558	257,846
Cash and cash equivalents at end of the year	20	374,231	342,558

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 2019

1. Corporate information

Chip Eng Seng Corporation Ltd. is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange.

The registered office and principal place of business of the Company is located at 171 Chin Swee Road, #12-01 CES Centre, Singapore 169877.

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

Details of the subsidiaries, associates, joint venture and joint operations as at 31 December 2019 are:

Name of Company	Country of incorporation/ operations	Principal activities	Proportion (%) of ownership interest	
			2019	2018
Subsidiaries				
Held by the Company				
^ CEL Development Pte. Ltd.	Singapore	Property developer and property investor	100	100
^ Chip Eng Seng Construction Pte. Ltd.	Singapore	Investment holding	100	100
^ CES Capital Holdings Pte. Ltd.	Singapore	Investment holding	100	100
^ CES Hospitality Pte. Ltd.	Singapore	Investment holding	100	100
^ CES Education Pte. Ltd.	Singapore	Investment holding	100	100
^ CES Treasury Pte. Ltd.	Singapore	Provision of financial and treasury services to members of the Chip Eng Seng group of companies	100	100
Held by subsidiaries				
^ Chip Eng Seng Contractors (1988) Pte Ltd	Singapore	General building contractor	100	100
^ CES Engineering & Construction Pte. Ltd.	Singapore	General building contractor	100	100
^ CES-Precast Pte. Ltd.	Singapore	Manufacturing and trading of precast products	100	100
^ CES Building and Construction Pte. Ltd.	Singapore	General building and related services	100	100
^ SPP System Pte. Ltd.	Singapore	Modular building construction	100	100
+ Sembcorp Design and Construction Pte. Ltd.	Singapore	Building construction and construction project management	100	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

1. Corporate information (cont'd)

Name of Company	Country of incorporation/ operations	Principal activities	Proportion (%) of ownership interest	
			2019	2018
Subsidiaries (cont'd)				
<i>Held by subsidiaries (cont'd)</i>				
+ CES_Lodge Pte. Ltd.	Singapore	Acquisition of portable containers/structure to rent out as workers' dormitory and provision of related services	100	–
+++ SDCI (Myanmar) Company Limited	Myanmar	General building contractor and project management	100	–
^ CEL-Changi Pte. Ltd.	Singapore	Property developer	100	100
^ Fernvale Development Pte. Ltd.	Singapore	Property developer	60	60
β CEL-Bedok Pte. Ltd.	Singapore	Liquidated	–	100
^ CEL Property Pte. Ltd.	Singapore	Property developer and investment holding	100	100
^ CEL-Yishun (Residential) Pte. Ltd.	Singapore	Property developer	100	100
^ CEL-Yishun (Commercial) Pte. Ltd.	Singapore	Property developer	100	100
^ CEL Real Estate Development Pte. Ltd.	Singapore	Property developer and investment holding	100	100
CEL-Simei Pte. Ltd.	Singapore	In the process of liquidation	100	100
^ CEL-Fort Pte. Ltd.	Singapore	Property developer	100	100
^ CEL Property Development Pte. Ltd.	Singapore	Property developer	100	100
~ CEL Technology Development (Taicang) Co., Ltd	China	Investment holding	100	–
^ CEL Newton Pte. Ltd.	Singapore	Property developer	100	100
β PH Properties Pte. Ltd.	Singapore	Liquidated	–	100
^ CEL Unique Pte. Ltd.	Singapore	Investment holding	60	60
^ CEL Unique Holdings Pte. Ltd.	Singapore	Investment holding	60	60
^ CEL Unique Development Pte. Ltd.	Singapore	Property developer	60	60

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

1. Corporate information (cont'd)

Name of Company	Country of incorporation/ operations	Principal activities	Proportion (%) of ownership interest	
			2019	2018
Subsidiaries (cont'd)				
Held by subsidiaries (cont'd)				
^ CEL Property Investment (Australia) Pte. Ltd.	Singapore	Investment holding	100	100
^ CEL Property Investment Pte. Ltd.	Singapore	Property investor	100	100
^ Evervit Development Pte Ltd	Singapore	Property investor	100	100
^ CES Property Investment (New Zealand) Pte. Ltd.	Singapore	Investment holding	100	100
^ CEL Property (M) Pte. Ltd.	Singapore	Investment holding	100	100
^ CES-Vietnam Holdings Pte. Ltd.	Singapore	Investment holding	100	100
^ CES-NB Pte. Ltd.	Singapore	Investment holding	100	100
^ CES-VH Holdings Pte. Ltd.	Singapore	Investment holding	100	100
# CES Investment (Vietnam) Pte. Ltd.	Singapore	Investment holding	100	100
# CES Management (Vietnam) Pte. Ltd.	Singapore	Investment holding	100	100
^ CES Hotels (Australia) Pte. Ltd.	Singapore	Investment holding	100	100
^ CEL-Alexandra Pte. Ltd.	Singapore	Hotel owner and property investor	100	100
^ CES Park (Maldives) Pte. Ltd.	Singapore	Investment holding	70	70
### CES Hotels (Maldives) Pte. Ltd.	Singapore	Investment holding	100	–
### CES Tropical (Maldives) Pte. Ltd.	Singapore	Investment holding	70	–
### Samarafushi Pvt Ltd	Maldives	Resort owner	70	–
^^ CEL Australia Pty Ltd	Australia	Investment holding	100	100
^^ CES Glenelg Pty Ltd	Australia	Property developer	100	100
^^ 242 West Coast Highway Scarborough Pty Ltd	Australia	Property developer	100	100
^^ CES-Queen (VIC) Pty Ltd	Australia	Property developer	100	100

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

1. Corporate information (cont'd)

Name of Company	Country of incorporation/ operations	Principal activities	Proportion (%) of ownership interest	
			2019	2018
Subsidiaries (cont'd)				
Held by subsidiaries (cont'd)				
^^ CES Properties (AUS) Pty Ltd	Australia	Property investor	100	100
^^ CES-Northcote (VIC) Pty Ltd	Australia	Property developer	100	100
^^ CES-Gladstone (VIC) Pty Ltd	Australia	Property developer	100	100
^^ CES South Perth (WA) Pty Ltd	Australia	Investment holding	100	100
^^ CES Sirona Lyall (WA) Pty Ltd	Australia	Property developer	70	70
# CEL Real Estate Pty Ltd	Australia	Property developer	100	100
^^ CES Grosvenor (SA) Pty Ltd	Australia	Property investor	100	100
^^ CES Grosvenor Hotel (SA) Pty Ltd	Australia	Hotel owner	100	100
^^ CES Mandurah Hotel (WA) Pty Ltd	Australia	Hotel owner	100	100
^^ CES Pirie Hotel (SA) Pty Ltd	Australia	Hotel owner	100	100
# CES Hotel Investment Pty Ltd	Australia	Investment holding	100	100
++ CES Properties (NZ) Pty Limited	New Zealand	Investment holding	100	100
^^ CES-Precast Sdn. Bhd.	Malaysia	Manufacturing of precast concrete components	100	100
* CEL Malacca Sdn. Bhd.	Malaysia	Property developer and investment holding	100	100
^^ CES Park Kodhipparu Private Limited	Maldives	Resort owner	70	70
^^ Viet Investment Link Joint Stock Company	Vietnam	Provision of management services	99	99
^^ CES MAIC Management (Vietnam) Co., Ltd	Vietnam	Provision of real estate management and consultancy services	70	70

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

1. Corporate information (cont'd)

Name of Company	Country of incorporation/ operations	Principal activities	Proportion (%) of ownership interest	
			2019	2018
Subsidiaries (cont'd)				
Held by subsidiaries (cont'd)				
^ CES ASG Pte. Ltd.	Singapore	Investment holding	100	100
^ CES Repton Asia Pte. Ltd.	Singapore	Investment holding	100	100
^ CES Repton SG Pte. Ltd.	Singapore	Childcare and related services	100	100
^ Penn Junior Academy Pte. Ltd. (f.k.a. CES R Lab Pte. Ltd.)	Singapore	Provision of early childhood enrichment education	100	100
^ CES Greenville Pte. Ltd.	Singapore	Investment holding	100	100
~ Greenville Consultancy & Management (Shanghai) Co., Ltd.	China	Provision of early childhood enrichment education	100	–
# Magna Education Pte. Ltd.	Singapore	Investment holding	100	100
^ The Perse School (Singapore) Pte. Ltd. (f.k.a. CES Cambridge Pte. Ltd.)	Singapore	Investment holding	100	100
^ CES WL Pte. Ltd.	Singapore	Investment holding	100	100
^ CES Edutech Pte. Ltd.	Singapore	Investment holding	100	–
### CES Education (China) Pte. Ltd.	Singapore	Investment holding	100	–
^ White Lodge Education Group Services Pte. Ltd.	Singapore	Investment holding	70	70
^ White Lodge, Bukit Timah Pte. Ltd.	Singapore	Kindergarten and related services	70	70
^ White Lodge, Upper Bukit Timah Pte. Ltd.	Singapore	Kindergarten and related services	70	70
^ White Lodge Kindergarten, East Coast Pte. Ltd.	Singapore	Kindergarten and related services	70	70
^ White Lodge, Upper East Coast Pte. Ltd.	Singapore	Kindergarten and related services	70	70
^ White Lodge Kindergarten, Phoenix Park Pte. Ltd.	Singapore	Kindergarten and related services	70	70
^ White Lodge, West Coast Pte. Ltd.	Singapore	Kindergarten and related services	70	70
^ White Lodge School of Arts, Loewen Gardens Pte. Ltd.	Singapore	Kindergarten and related services	70	70

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

1. Corporate information (cont'd)

Name of Company	Country of incorporation/ operations	Principal activities	Proportion (%) of ownership interest	
			2019	2018
Subsidiaries (cont'd)				
Held by subsidiaries (cont'd)				
^ White Lodge Preschool River Valley Pte. Ltd.	Singapore	Childcare and related services	70	70
@ White Lodge Education Services (Malaysia) Sdn. Bhd.	Malaysia	Investment holding	70	70
@ White Lodge Bangsar South Childcare Centre Sdn. Bhd.	Malaysia	Childcare and related services	70	70
@ White Lodge Mont Kiara Childcare Centre Sdn. Bhd.	Malaysia	Childcare and related services	70	70
^ Invictus International School Pte. Ltd.	Singapore	International school education provider	55	–
^ Sugar Education Pte. Ltd.	Singapore	Investment holding	55	–
^ Swallows and Amazons Pte. Ltd.	Singapore	Nursery, kindergarten and related services	55	–
### Invictus (Cambodia) Co., Ltd.	Cambodia	International school education provider	55	–
@@ Invictus International School (Hong Kong) Limited	Hong Kong	International school education provider	55	–
@@ Invictus Kindergarten (Hong Kong) Limited	Hong Kong	International kindergarten service provider	55	–
@@ Invictus School (Chai Wan) Limited	Hong Kong	International school education provider	55	–
### Penn Junior (Aus) Pty Ltd	Australia	Investment holding	100	–
### Penn Junior Tarneit West (Vic) Pty Ltd	Australia	Childcare and related services	100	–
^^^CES Education (Malaysia) Pte. Ltd.	Singapore	Investment holding and the provision of education, consultancy and training management services	100	–
*** CES Eduset Sdn. Bhd.	Malaysia	Investment holding and the provision of education, consultancy and training management services	100	–
*** Excelsior Education Management Sdn Bhd	Malaysia	International school education provider	100	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

1. Corporate information (cont'd)

Name of Company	Country of incorporation/ operations	Principal activities	Proportion (%) of ownership interest	
			2019	2018
<u>Associates</u>				
<i>Held by the Company</i>				
** Ardille Pte Ltd	Singapore	Investment holding	38	38
<i>Held by subsidiaries</i>				
β Punggol Field EC Pte. Ltd.	Singapore	Liquidated	–	40
+ Pasir Ris EC Pte. Ltd.	Singapore	Property developer	40	40
~~ Amdon Consulting Pte. Ltd.	Singapore	Science education and digital teaching resources	38	–
# Zeus Edutech Group (Cayman)	Cayman Islands	Investment holding	35	–
^^ Phu An Sinh Real Estate Investment Co., Ltd	Vietnam	Investment holding	50	–
<i>Held by associates</i>				
** ACP Metal Finishing Pte Ltd	Singapore	Provision of custom electro-plating and surface treatment services	38	38
## ACP Poland Spolka Z Ograniczona Odpowiedzialnoscia	Poland	Provision of custom electro-plating and surface treatment services	38	38
## Zeus Edutech Group Limited (BVI)	British Virgin Islands	Investment holding	35	–
!! Zeus Edutech Group Limited (HK)	Hong Kong	Investment holding	35	–
! Guangzhou Zhou Zi Si Co., Ltd (PRC)	China	Investment holding	35	–
! Guangzhou Yuanda Information Development Co., Ltd	China	Education provider	35	–
~~ Werkz Asia Pte Ltd	Singapore	Development of interactive digital media	38	–
~~~ Werkz Technologies Co., Ltd.	Myanmar	Development of educational software	38	–
## Werkz Publishing, Inc.	USA	Marketing of educational products	38	–

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

## 1. Corporate information (cont'd)

Name of Company	Country of incorporation/ operations	Principal activities	Proportion (%) of ownership interest	
			2019	2018
<b><u>Joint venture</u></b>				
<b><i>Held by subsidiary</i></b>				
++ Roxy-CES (NZ) Limited	New Zealand	Property investor	50	50
<b><u>Joint operations</u></b>				
<b><i>Held by subsidiary</i></b>				
+ Sinohydro-Sembcorp Joint Venture	Singapore	Building construction and construction project management	50	–
^ Hock Lian Seng Infrastructure-Sembcorp Design and Construction Joint Venture	Singapore	Provision of civil engineering works	40	–

# Not required to be audited as these companies are considered dormant and exempted from audit under the Singapore Companies Act or relevant statutory laws in the respective country of incorporation.

## Not required to be audited by law in country of incorporation.

### Not required to be audited as these companies are incorporated during the year.

^ Audited by Ernst & Young LLP, Singapore.

^^ Audited by member firms of EY Global.

^^^ Audited by KBH Integra PAC.

* Audited by KTP & Company PLT, Malaysia.

** Audited by RSM Chio Lim LLP, Singapore.

*** Audited by YL Chee & Co.

+ Audited by KPMG LLP, Singapore.

++ Audited by HLB Mann Judd, Auckland.

+++ Audited by member firms of KPMG Global.

@ Audited by BDO, Malaysia.

@@ Audited by Fung, Yu & Co CPA.

~ Audited by EunaCon Perfect Alliance CPA.

~~ Audited by Ken Wong & Co.

~~~ Audited by Thaug Aye & Associates.

! Audited by Guangzhou Haocheng Certified Public Accountants Co., Ltd.

!! Audited by ST Lo & Co. Certified Public Accounting.

β Liquidated during the year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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 (International) ("SFRS(I)").

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 ("S'000"), except when otherwise indicated.

2.2 Changes in accounting policies and disclosures

The Group applied SFRS(I) 16 *Leases* for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

SFRS(I) 16 Leases

SFRS(I) 16 supersedes SFRS(I) 1-17 *Leases*, SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, SFRS(I) INT 1-15 *Operating Leases - Incentives* and SFRS(I) INT 1-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets up the principles for the recognition, measurement, presentation and disclosures of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under SFRS(I) 16 is substantially unchanged from SFRS(I) 1-17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in SFRS(I) 1-17. Therefore, SFRS(I) 16 did not have an impact for leases where the Group is the lessor.

The Group adopted SFRS(I) 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying SFRS(I) 1-17 and SFRS(I) INT 4 at the date of initial application.

The effect of adopting SFRS(I) 16 as at 1 January 2019 is as follows:

| | Increase |
|---|-----------------|
| | <u>\$'000</u> |
| <u>Asset</u> | |
| Right-of-use assets (included in 'Property, plant and equipment') | 15,296 |
| <u>Liability</u> | |
| Lease liabilities (included in 'Other liabilities') | <u>15,296</u> |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

2.2 Changes in accounting policies and disclosures (cont'd)

SFRS(I) 16 Leases (cont'd)

The Group has entered into industrial property lease on a pre-cast yard, land lease on a Maldivian lagoon, and various commercial property leases. Before the adoption of SFRS(I) 16, the Group classified each of its leases (as lessee) at the inception date as operating lease. Refer to Note 2.24 for the accounting policy prior to 1 January 2019.

Upon adoption of SFRS(I) 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to Note 2.24 for the accounting policy beginning 1 January 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

Leases previously classified as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

Based on the above, as at 1 January 2019:

- Right-of-use assets of \$15,296,000 were recognised and presented under 'Property, plant and equipment'
- Additional lease liabilities of \$15,296,000 (included in 'Other liabilities') were recognised

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

| | |
|--|---------------|
| | <u>\$'000</u> |
| Operating lease commitment as at 31 December 2018 | 28,801 |
| Less: Commitments relating to short term leases | <u>(89)</u> |
| | 28,712 |
| Weighted average incremental borrowing rate as at 1 January 2019 | 4.15% |
| Lease liabilities as at 1 January 2019 | <u>15,296</u> |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

2.3 Standards issued but not yet effective

The Group has not adopted the following standard applicable to the Group that have been issued but not yet effective:

| <i>Description</i> | <i>Effective for annual periods beginning on or after</i> |
|--|---|
| Amendments to References to the Conceptual Framework in SFRS(I) Standards | 1 January 2020 |
| Amendments to SFRS(I) 3 <i>Definition of a Business</i> | 1 January 2020 |
| Amendments to SFRS(I) 1-1 and 1-8 <i>Definition of Material</i> | 1 January 2020 |
| Amendments to SFRS(I)9, SFRS(I) 1-39 and SFRS(I) 7 <i>Interest Rate Benchmark Reform</i> | 1 January 2020 |
| Amendments to SFRS(I) 10 and SFRS(I) 1-28 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> | Date to be determined |

The Group expects that the adoption of the standards above will have no material impact on the financial statements in the year of initial application.

2.4 Basis of consolidation and business combinations

(a) Basis of consolidation

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

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

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

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

(b) Business combinations and goodwill

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.

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 an asset or liability are recognised in profit or loss.

Non-controlling interest in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of net assets of the acquiree are recognised on the acquisition date at either fair value, or the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

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

(b) Business combinations and goodwill (cont'd)

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.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash generating units that are expected to benefit from the synergies of the combination.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Goodwill is recorded within "Intangible assets" line of the Group's balance sheet.

2.5 Transactions with non-controlling interests

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

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

2.6 Foreign currency

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

(a) Transactions and balances

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

2.6 Foreign currency (cont'd)

(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.

2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment other than freehold land are measured at cost less accumulated depreciation and any accumulated impairment losses.

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

| | | |
|---|---|----------------|
| Leasehold land | - | 23 to 99 years |
| Freehold and leasehold buildings | - | 5 to 50 years |
| Container office, building and construction equipment | - | 5 years |
| Motor vehicles | - | 5 years |
| Computer and office equipment | - | 2 to 5 years |
| Furniture, fixtures and fittings | - | 2 to 10 years |

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

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.

2.8 Investment properties

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

Investment properties are initially measured at cost, including transaction costs.

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

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. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

2.9 Intangible assets

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

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

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

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

Club membership

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

Intellectual property

The cost of intellectual property is its fair value at acquisition date. Intellectual property has finite useful life of 4 to 10 years and is stated at cost less accumulated amortisation and accumulated impairment losses.

Brands

The brands were acquired in business combinations. The useful lives of the brands are estimated to be indefinite because based on the current market share of the brands, management believes there is no foreseeable limit to the period over which the brands are expected to generate net cash inflows for the Group.

2.10 Impairment of non-financial assets

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

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

2.11 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

2.12 Joint ventures and associates

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies. Joint ventures are entities over whose activities the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

The Group accounts for its investments in associates and joint ventures using the equity method from the date on which it becomes an associate or joint venture.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities represents goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in associates or joint ventures is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates or joint ventures. The profit or loss reflects the share of results of the operations of the associates or joint ventures. Distributions received from joint ventures or associates reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associates or joint venture, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and associate or joint venture are eliminated to the extent of the interest in the associates or joint ventures.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

2.12 Joint ventures and associates (cont'd)

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

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

2.13 Joint operations

A joint operation is an arrangement in which the Group has rights to the assets, and obligations for the liabilities, relating to the arrangement. The Group accounts for each of its assets, liabilities and transactions, including its share of those held or incurred jointly, in relation to the joint operation.

The Group recognises in its financial statements, its interest in the joint operations as follows: its assets, including its share of any assets held jointly; its liabilities, including its share of any liabilities incurred jointly; its revenue from the share of its output arising from the joint operations; its share of the revenue from the sale of the output by the joint operations; and its expenses, including its share of any expenses incurred jointly.

2.14 Financial instruments

(a) Financial assets

Initial recognition and measurement

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

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

Subsequent measurement

Investments in debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The three measurement categories for classification of debt instruments are:

(i) Amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are de-recognised or impaired, and through amortisation process.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

2.14 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Subsequent measurement (cont'd)

Investments in debt instruments (cont'd)

(ii) *Fair value through other comprehensive income ("FVOCI")*

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Financial assets measured at FVOCI are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses 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.

(iii) *Fair value through profit or loss*

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instruments that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss in the period in which it arises.

Investments in equity instruments

On initial recognition of an investment in equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. Dividends from such investments are to be recognised in profit or loss when the Group's right to receive payments is established. For investments in equity instruments which the Group has not elected to present subsequent changes in fair value in OCI, changes in fair value are recognised in profit or loss.

De-recognition

A financial asset is de-recognised 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

2.14 Financial instruments (cont'd)

(b) Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

De-recognition

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

2.15 Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when the contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

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.

2.17 Development properties

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

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

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

Net realisable value of development properties is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date 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.

2.18 Inventories

Inventories comprise mainly hotel supplies such as food and beverages, linen, glassware and sundry supplies, and precast building materials such as reinforcement steel, welded mesh and concrete.

Hotel supplies are stated at the lower of cost (first-in-first-out method) and net realisable value.

Precast building materials are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of production overheads based on normal operating capacity. Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.19 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

2.20 Government grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Grants related to income are presented as a credit in profit or loss as "Other income".

2.21 Financial guarantee

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

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are measured at the higher of the amount of expected credit loss determined in accordance with the policy set out in Note 2.15 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised over the period of the guarantee.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

2.23 Employee benefits (cont'd)

(b) Share-based payments

Employees of the Group receive remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled share based payment transactions with employees is measured by reference to the fair value of the options at the date on which the options are granted which takes into account market conditions and non-vesting conditions. This cost is recognised in profit or loss, with a corresponding increase in the employee share option reserve, over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

The employee share option reserve is transferred to retained earnings upon expiry of the share option.

2.24 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

Accounting policy prior to 1 January 2019

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

2.24 Leases (cont'd)

Accounting policy after 1 January 2019

The Group applies a single recognition and measurement approach for all leases, except for short-term lease and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term ranging from 2 to 45 years.

The Group's right-of-use assets are included in 'Property, plant and equipment'.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Note 2.10.

(b) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (eg. Changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying assets.

The Group's lease liabilities are included in 'Other liabilities' (see Note 23).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

2.24 Leases (cont'd)

(c) Short-term leases and leases of low-value assets

The Group applies the short-term leases recognition exemption to its short-term leases (ie those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer 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(d). Contingent rents are recognised as revenue in the period in which they are earned.

2.25 Revenue

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(a) Construction revenue

The Group principally operates fixed price contracts. Contract revenue and contract costs are recognised over time by measuring the progress towards complete satisfaction of performance obligations. The stage of completion is typically assessed by reference to either surveys of work performed (output method), or the cost incurred to date relative to total estimated cost (input method) depending on which method commensurate with the pattern of transfer of control to the customer. Costs incurred that are not related to the contract or that do not contribute towards satisfying a performance obligation are excluded from the measure of progress and instead are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

2.25 Revenue (cont'd)

(a) Construction revenue (cont'd)

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.

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 multiplied by the actual completion rate based on total contract costs or with reference to surveys of work performed or on a milestone payment schedule.

(b) Sale of development properties

The Group develops and sells residential and commercial properties before completion of construction of the properties. Revenue is recognised when control over the property has been transferred to the customer, either over time or at a point in time, depending on the contractual terms and the practices in the legal jurisdictions.

For development properties whereby the Group is restricted contractually from directing the properties for another use as they are being developed and has an enforceable right to payment for performance completed to date, revenue is recognised over time, based on the construction and other costs incurred to date as a proportion of the estimated total construction and other costs to be incurred.

For development properties whereby the Group does not have an enforceable right to payment for performance completed to date, revenue is recognised when the customer obtains control of the asset.

Progress billings to the customers are based on a payment schedule in the contract and are typically triggered upon achievement of specified construction milestones. A contract asset is recognised when the Group has performed under the contract but has not yet billed the customer. Conversely, a contract liability is recognised when the Group has not yet performed under the contract but has received advanced payments from the customer. Contract assets are transferred to receivables when the rights to consideration become unconditional. Contract liabilities are recognised as revenue as the Group performs under the contract.

Incremental costs of obtaining a contract are capitalised if these costs are recoverable. Costs to fulfil a contract are capitalised if the costs relate directly to the contract, generate or enhance resources used in satisfying the contract and are expected to be recovered. Other contract costs are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

2.25 Revenue (cont'd)

(b) Sale of development properties (cont'd)

Capitalised contract costs are subsequently amortised on a systematic basis as the Group recognises the related revenue. An impairment loss is recognised in profit or loss to the extent that the carrying amount of the capitalised contract costs exceeds the remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the contract costs relates less the costs that relate directly to providing the goods and that have not been recognised as expenses.

(c) Revenue from hotel operations

Revenue from the rental of hotel rooms and other facilities is recognised when the services are rendered. Revenue from the sale of food and beverage is recognised when the goods are delivered to the customer.

(d) 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.

(e) School fees and enrolment fees

School fees and enrolment fees are recognised when the services are rendered.

(f) Interest income

Interest income is recognised using the effective interest method.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

2.26 Taxes (cont'd)

(b) Deferred tax

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

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

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

2.26 Taxes (cont'd)

(c) Sales tax

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

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

2.27 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.

2.28 Treasury shares

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

2.29 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.

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. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

3.1 Judgements made in applying accounting policies

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

(a) Sale of development properties

For the sale of development properties, the Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method for recognising revenue. In making the assessment, the Group considered the terms of the contracts entered into with customers and the provisions of relevant laws and regulations applicable to the contracts. The assessment of whether the Group has an enforceable right to payment for performance completed to date involves judgement made in determining the enforceability of the right to payment under the legal environment of the jurisdictions where the contracts are subject to.

(b) Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The periods covered by renewal options are included as part of the lease term only when they are reasonably certain to be exercised.

Refer to Note 29 for information on potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) Provision for expected credit losses of trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

3.2 Key sources of estimation uncertainty (cont'd)

(a) Provision for expected credit losses of trade receivables and contract assets (cont'd)

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in Note 32(a).

The carrying amount of trade receivables and contract assets as at 31 December 2019 are \$123,189,000 and \$415,278,000 (2018: \$74,580,000 and \$501,307,000) respectively.

(b) 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 real estate valuation experts to assess fair value as at 31 December 2019.

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

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

The key assumptions used to determine the fair value of the investment properties are further explained in Notes 12 and 31(c)(i).

(c) Contract assets and contract liabilities

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. In applying the percentage of completion method, revenue recognised corresponds to the total contract revenue multiplied by the actual completion rate based on total contract costs. Significant assumptions are required to estimate the variation works that will affect the stage of completion. In making these estimates, management has relied on past experience and knowledge of the project officials.

The carrying amounts of contract assets and contract liabilities are disclosed in Note 4 to the financial statements. If the estimated total contract cost had been 2% higher than management's estimate, contract assets and contract liabilities would have been \$22,021,000 lower and \$22,374,000 higher respectively (2018: \$31,868,000 lower and \$18,295,000 higher).

(d) Revenue recognition on development properties under construction

For the sale of development properties where the Group satisfies its performance obligations over time, management has determined that a cost-based input method provides a faithful depiction of the Group's performance in transferring control of the development properties to the customers, as it reflects the Group's efforts incurred to date relative to the total inputs expected to be incurred for the development properties. The measure of progress is based on the costs incurred to date as a proportion of total costs expected to be incurred up to the completion of the development properties.

The estimated total construction and other related costs are based on contracted amounts and, in respect of amounts not contracted for, management relies on past experience and knowledge of the project engineers to make estimates of the amounts to be incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

3.2 Key sources of estimation uncertainty (cont'd)

(d) Revenue recognition on development properties under construction (cont'd)

The carrying amounts of assets and liabilities as well as the revenue from sale of development properties (recognised on percentage of completion basis) are disclosed in Note 18 and Note 4 to the financial statements respectively. If the estimated total development cost had been 2% higher than management's estimate, the carrying amount of the development properties under construction would have been \$13,966,000 (2018: \$14,005,000) higher and profit before tax would have been \$7,787,000 (2018: \$13,957,000) lower.

(e) Impairment of intangible assets

As disclosed in Note 13 to the financial statements, the recoverable amounts of the cash generating units which goodwill, intellectual property and brands have been allocated to are determined based on value in use calculations. The value in use calculations are based on a discounted cash flow model. The recoverable amount is most sensitive to the discount rate and terminal yield rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions applied in the determination of the value in use including a sensitivity analysis, are disclosed and further explained in Note 13 to the financial statements.

The carrying amount of the intangible assets as at 31 December 2019 is \$42,719,000 (2018: \$16,677,000).

(f) Impairment of hotel assets

An impairment exists when the carrying value of hotel asset exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset.

Management assesses, on an annual basis, whether there are trigger events indicating potential impairment. Where applicable, the Group considers independent valuation reports of valuation specialists. The value in use calculation is based on a discounted cash flow model derived from the budget for the next five years or the commercial useful life of the assets. The recoverable amount is most sensitive to the discount rate and capitalisation rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. Management used external specialists to support the recoverable amounts of its hotel assets.

The carrying amount of hotel assets as at 31 December 2019 are disclosed in Note 11.

(g) Accounting for business combinations

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Significant judgement is involved in the identification and measurement of the acquired assets and liabilities. Management used external valuation expert to perform the PPA. For acquisitions during the year, the fair values of the assets and liabilities have been determined on a provisional basis as the results of the independent valuations have not been finalised.

The details of the business combinations during the year are disclosed in Note 14.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

4. Revenue

(a) Disaggregation of revenue

| | Construction | | Development properties | |
|--|--------------|---------|------------------------|---------|
| | 2019 | 2018 | 2019 | 2018 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Primary geographical markets | | | | |
| Singapore | 164,405 | 169,850 | 781,510 | 670,730 |
| Australia | – | – | 10,441 | 157,908 |
| Maldives | – | – | – | – |
| Malaysia | – | – | – | – |
| | 164,405 | 169,850 | 791,951 | 828,638 |
| Major product or service lines | | | | |
| Construction contracts | 143,421 | 167,543 | – | – |
| Precast components | 20,984 | 2,307 | – | – |
| Development properties | – | – | 791,951 | 828,638 |
| Hotel operations | – | – | – | – |
| Rental of investment properties | – | – | – | – |
| Management fee | – | – | – | – |
| School fee | – | – | – | – |
| | 164,405 | 169,850 | 791,951 | 828,638 |
| Timing of transfer of goods or services | | | | |
| At a point in time | 20,984 | 2,307 | 10,441 | 157,908 |
| Over time | 143,421 | 167,543 | 781,510 | 670,730 |
| | 164,405 | 169,850 | 791,951 | 828,638 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

| Hotel | | Investment properties | | Corporate | | Education | | Total revenue | |
|--------|--------|-----------------------|--------|-----------|--------|-----------|--------|---------------|-----------|
| 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| 31,568 | 30,860 | 6,486 | 6,812 | 10 | 10 | 12,915 | 2,453 | 996,894 | 880,715 |
| 12,747 | 11,403 | 795 | 672 | - | - | - | - | 23,983 | 169,983 |
| 33,866 | 29,390 | - | - | - | - | - | - | 33,866 | 29,390 |
| - | - | - | - | - | - | 896 | 146 | 896 | 146 |
| 78,181 | 71,653 | 7,281 | 7,484 | 10 | 10 | 13,811 | 2,599 | 1,055,639 | 1,080,234 |
| - | - | - | - | - | - | - | - | 143,421 | 167,543 |
| - | - | - | - | - | - | - | - | 20,984 | 2,307 |
| - | - | - | - | - | - | - | - | 791,951 | 828,638 |
| 78,181 | 71,653 | - | - | - | - | - | - | 78,181 | 71,653 |
| - | - | 7,281 | 7,484 | - | - | - | - | 7,281 | 7,484 |
| - | - | - | - | 10 | 10 | - | - | 10 | 10 |
| - | - | - | - | - | - | 13,811 | 2,599 | 13,811 | 2,599 |
| 78,181 | 71,653 | 7,281 | 7,484 | 10 | 10 | 13,811 | 2,599 | 1,055,639 | 1,080,234 |
| 78,181 | 71,653 | 7,281 | 7,484 | 10 | 10 | 1,337 | 69 | 118,234 | 239,431 |
| - | - | - | - | - | - | 12,474 | 2,530 | 937,405 | 840,803 |
| 78,181 | 71,653 | 7,281 | 7,484 | 10 | 10 | 13,811 | 2,599 | 1,055,639 | 1,080,234 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

4. Revenue (cont'd)

(b) Judgement and methods used in estimating revenue

Recognition of revenue from development properties over time

For the sale of development properties where the Group satisfies its performance obligations over time, management has determined that a cost-based input method provides a faithful depiction of the Group's performance in transferring control of the development properties to the customers, as it reflects the Group's efforts incurred to date relative to the total inputs expected to be incurred for the development properties. The measure of progress is based on the costs incurred to date as a proportion of total costs expected to be incurred up to the completion of the development properties.

The estimated total construction and other related costs are based on contracted amounts and, in respect of amounts not contracted for, management relies on past experience and knowledge of the project engineers to make estimates of the amounts to be incurred. In making these estimates, management takes into consideration the historical trends of the amounts incurred in its other similar development properties, analysed by different property types and geographical areas for the past 3 to 5 years.

(c) Contract assets and contract liabilities

Information about receivables, contract assets and contract liabilities from contracts with customers is disclosed as follows:

| | Group | |
|---|--------------|-------------|
| | 2019 | 2018 |
| | \$'000 | \$'000 |
| Receivables from contracts with customers (Note 17) | 123,189 | 74,580 |
| Contract assets | 415,278 | 501,307 |
| Capitalised contract costs | 14,416 | 16,663 |
| Contract liabilities | 26,256 | 99,488 |

There was no impairment losses on receivables arising from contracts with customers in 2019. In 2018, the Group has recognised impairment losses on receivables arising from contracts with customers amounting to \$348,000.

Contract assets primarily relate to the Group's right to consideration for work completed but not yet billed at reporting date for the sale of development properties and revenue from construction contracts. Contract assets are transferred to receivables when the rights become unconditional.

Contract liabilities primarily relate to the Group's obligation to transfer goods or services to customers for which the Group has received advances from customers for sale of development properties and revenue from construction contracts. Contract liabilities are recognised as revenue as the Group fulfils its performance obligations under the contract.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

4. Revenue (cont'd)

(c) Contract assets and contract liabilities (cont'd)

(i) Significant changes in contract assets are explained as follows:

| | Group | |
|--|---------|--------|
| | 2019 | 2018 |
| | \$'000 | \$'000 |
| Contract asset reclassified to receivables | 469,755 | 90,952 |

(ii) Significant changes in contract liabilities are explained as follows:

| | Group | |
|---|--------|--------|
| | 2019 | 2018 |
| | \$'000 | \$'000 |
| Revenue recognised that was included in the contract liability balance at the beginning of the year | 97,650 | 87,149 |

(d) Capitalised contract costs

| | Group | |
|--|----------|----------|
| | 2019 | 2018 |
| | \$'000 | \$'000 |
| Capitalised incremental costs of obtaining contract – commission costs paid to property agents | | |
| At 1 January | 16,663 | 14,161 |
| Additions | 12,137 | 15,343 |
| Amortisation | (14,378) | (12,752) |
| Foreign exchange difference | (6) | (89) |
| At 31 December | 14,416 | 16,663 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

4. Revenue (cont'd)

(e) Transaction price allocated to remaining performance obligation

The aggregate amount of transaction price allocated to the unsatisfied (or partially unsatisfied) performance obligations as at 31 December 2019 is \$1,153,840,000 (2018: \$1,252,679,000). This amount has not included the following:

- Performance obligations for which the Group has applied the practical expedient not to disclose information about its remaining performance obligations if:
 - The performance obligation is part of a contract that has an original expected duration for one year or less, or
 - The Group recognises revenue to which the Group has a right to invoice customers in amounts that correspond directly with the value to the customer of the Group's performance completed to date.
- Variable consideration that is constrained and therefore is not included in the transaction price.

The Group expects to recognise \$809,233,000 (2019: \$622,772,000) as revenue relating to the transaction price allocated to the unsatisfied (or partially unsatisfied) performance obligations as at 31 December 2019 in the financial year 2020, \$216,454,000 (2020: \$425,165,000) in the financial year 2021, \$65,920,000 (2021: \$204,742,000) in the financial year 2022 and \$62,233,000 (2022: \$Nil) in the financial year 2023.

5. Interest income

| | Group | |
|---|--------|--------|
| | 2019 | 2018 |
| | \$'000 | \$'000 |
| Interest income from loan and receivables | 6,920 | 5,613 |

6. Other income

| | Group | |
|---|--------|--------|
| | 2019 | 2018 |
| | \$'000 | \$'000 |
| Gain on disposal of intangible assets | – | 20 |
| Gain on disposal of property, plant and equipment | 375 | 231 |
| Sales of materials | 1,227 | 1,039 |
| Government grants | 459 | 481 |
| Rental income from non-investment holding companies | 1,376 | 434 |
| Deposits forfeited from buyers | 154 | 726 |
| Net fair value gain on investment properties | 2,766 | – |
| Others | 559 | 827 |
| | 6,916 | 3,758 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

7. Finance costs

| | Group | |
|--|---------------|---------------|
| | 2019 | 2018 |
| | \$'000 | \$'000 |
| Interest expense on bank loans and borrowings | 66,862 | 60,324 |
| Interest expense on lease liabilities | 1,507 | – |
| Less: Interest expense capitalised in development properties (Note 18) | (9,479) | (9,951) |
| Total finance costs | <u>58,890</u> | <u>50,373</u> |

8. Profit before tax

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

| | Group | |
|---|--------------|--------------|
| | 2019 | 2018 |
| | \$'000 | \$'000 |
| Audit fees paid to: | | |
| - Auditor of the Company | 430 | 391 |
| - Other auditors | 233 | 177 |
| Non-audit fees paid to: | | |
| - Auditor of the Company | 27 | 8 |
| - Network of member firms of the Auditor of the Company | 29 | 7 |
| Depreciation of property, plant and equipment (Note 11) | 25,115 | 18,810 |
| Amortisation of intangible assets (Note 13) | 511 | 161 |
| Employee benefits expense (Note 27) | 73,563 | 72,626 |
| Legal and professional fees | 4,738 | 3,649 |
| Operating lease expense | – | 1,526 |
| Net (gain)/loss from fair value adjustment of investment properties (Note 12) | (2,766) | 1,042 |
| Provision for onerous contract (Note 23) | 1,000 | 7,500 |
| Inventories recognised as an expense on cost of sales (Note 19) | 19,804 | 18,326 |
| Foreign exchange loss, net | 2,494 | 8,995 |
| Impairment loss on property, plant and equipment (Note 11) | 4,123 | 3,922 |
| Impairment loss on intangible assets (Note 13) | 460 | 2,013 |
| Impairment loss on financial assets | | |
| - Trade receivables | – | 348 |
| Property, plant and equipment written off (Note 11) | 95 | 1 |
| Loss on liquidation of an associate | 3 | 17 |
| Maintenance of properties | <u>4,871</u> | <u>3,368</u> |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

9. Income tax expense

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2019 and 2018 are:

| | Group | |
|---|---------|---------|
| | 2019 | 2018 |
| | \$'000 | \$'000 |
| Consolidated income statement: | | |
| Current income tax | | |
| - current income taxation | 5,532 | 9,713 |
| - withholding tax | 3 | 232 |
| - overprovision in respect of previous years | (4,947) | (8,173) |
| | 588 | 1,772 |
| Deferred income tax | | |
| - origination and reversal of temporary differences | 10,912 | 16,022 |
| | 11,500 | 17,794 |

Relationship between tax expense and profit before tax

A reconciliation between tax expense and the product of profit before tax multiplied by the applicable corporate tax rate for the years ended 31 December 2019 and 2018 is as follows:

| | Group | |
|---|---------|---------|
| | 2019 | 2018 |
| | \$'000 | \$'000 |
| Profit before tax | 44,057 | 98,044 |
| Share of profit of associates and joint venture, net of tax | (4,609) | (4,928) |
| | 39,448 | 93,116 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

9. Income tax expense (cont'd)

Relationship between tax expense and profit before tax (cont'd)

| | Group | |
|---|---------------|---------------|
| | 2019 | 2018 |
| | \$'000 | \$'000 |
| Tax at the domestic rates applicable to profits in the countries where the Group operates | 6,525 | 20,616 |
| Adjustments: | | |
| Non-deductible expenses | 12,199 | 14,391 |
| Income not subject to taxation | (3,100) | (8,827) |
| Benefits from previously unrecognised tax losses | (367) | (4,002) |
| Deferred tax assets not recognised | 1,466 | 3,044 |
| Effect of partial tax exemption and tax relief | (350) | (186) |
| Overprovision in respect of previous years | (4,947) | (8,173) |
| Withholding tax | 3 | 232 |
| Others | 71 | 699 |
| Income tax expense recognised in profit or loss | <u>11,500</u> | <u>17,794</u> |

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

10. Earnings per share

Basic earnings per share are calculated by dividing the profit, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share are calculated by dividing profit, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

10. Earnings per share (cont'd)

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 | |
|--|---------|---------|
| | 2019 | 2018 |
| | '000 | '000 |
| Profit, net of tax, attributable to owners of the Company used in the computation of basic and diluted earnings per share (\$) | 33,320 | 63,121 |
| Weighted average number of ordinary shares for basic earnings per share computation | 658,172 | 623,370 |
| Effects of dilution on share options | 6,170 | 12,529 |
| Weighted average number of ordinary shares for diluted earnings per share computation | 664,342 | 635,899 |

Since the end of the financial year, 500,000 ordinary shares (2018: Nil) were granted and vested to an executive director pursuant to the Chip Eng Seng Performance Share Plan. There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

11. Property, plant and equipment

| Group | Freehold land | Leasehold land | Freehold and leasehold buildings | Container office, building and construction equipment | Motor vehicles | Computer and office equipment | Furniture, fixture and fittings | Total |
|---|---------------|----------------|----------------------------------|---|----------------|-------------------------------|---------------------------------|---------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Cost | | | | | | | | |
| At 1 January 2018 | 3,427 | 144,112 | 179,232 | 11,419 | 7,944 | 4,670 | 8,139 | 358,943 |
| Additions | 14,692 | 530 | 1,061 | 1,191 | 744 | 680 | 2,991 | 21,889 |
| Transfers | – | (1,425) | (7,534) | – | 2 | 20 | 8,937 | – |
| Transfer from investment properties (Note 12) | – | 10,110 | 2,410 | – | – | – | – | 12,520 |
| Disposals | – | (268) | – | (25) | (1,301) | (25) | (8) | (1,627) |
| Written off | – | – | – | (25) | – | (29) | (16) | (70) |
| Arising from acquisition of a subsidiary (Note 14) | – | – | – | – | 32 | 41 | 75 | 148 |
| Arising from acquisition of business assets (Note 14) | 5,522 | – | 6,382 | – | – | – | 17,308 | 29,212 |
| Exchange differences | (914) | 203 | 410 | 3 | 14 | 10 | (702) | (976) |
| At 31 December 2018 | 22,727 | 153,262 | 181,961 | 12,563 | 7,435 | 5,367 | 36,724 | 420,039 |
| Effect of adopting SFRS(I) 16 | – | 10,644 | 4,652 | – | – | – | – | 15,296 |
| At 1 January 2019 | 22,727 | 163,906 | 186,613 | 12,563 | 7,435 | 5,367 | 36,724 | 435,335 |
| Additions | – | – | 65,167 | 1,405 | 1,600 | 802 | 11,577 | 80,551 |
| Disposals | – | – | – | (706) | (1,419) | (9) | (53) | (2,187) |
| Written off | – | – | – | – | (715) | (357) | (1) | (1,073) |
| Arising from acquisition of subsidiaries (Note 14) | 13,524 | – | 21,454 | 1,359 | 1,982 | 285 | 340 | 38,944 |
| Exchange differences | (372) | (260) | (1,642) | (5) | (14) | (24) | (550) | (2,867) |
| At 31 December 2019 | 35,879 | 163,646 | 271,592 | 14,616 | 8,869 | 6,064 | 48,037 | 548,703 |

Right-of-use assets acquired under leasing arrangements are presented together with the owned assets of the same class. Details of such leased assets are disclosed in Note 29(a).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

| Group | Freehold land | Leasehold land | Freehold and leasehold buildings | Container office, building and construction equipment | Motor vehicles | Computer and office equipment | Furniture, fixture and fittings | Total |
|--|---------------|----------------|----------------------------------|---|----------------|-------------------------------|---------------------------------|---------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Accumulated depreciation | | | | | | | | |
| At 1 January 2018 | – | 8,736 | 7,905 | 7,376 | 4,555 | 2,548 | 3,333 | 34,453 |
| Depreciation charge | – | 3,363 | 5,462 | 1,805 | 1,120 | 1,177 | 5,883 | 18,810 |
| Transfers | – | (76) | (467) | – | (177) | 170 | 550 | – |
| Impairment loss | – | 3,227 | – | – | – | – | 695 | 3,922 |
| Disposals | – | (268) | – | (24) | (939) | (17) | (4) | (1,252) |
| Written off | – | – | – | (25) | – | (29) | (15) | (69) |
| Exchange differences | – | 4 | 41 | (7) | 3 | 3 | (90) | (46) |
| At 31 December 2018 and 1 January 2019 | – | 14,986 | 12,941 | 9,125 | 4,562 | 3,852 | 10,352 | 55,818 |
| Depreciation charge | – | 2,568 | 12,178 | 1,507 | 958 | 1,048 | 6,856 | 25,115 |
| Impairment loss | – | 315 | – | – | – | – | 3,808 | 4,123 |
| Disposals | – | – | – | (706) | (1,353) | (6) | (31) | (2,096) |
| Written off | – | – | – | – | (620) | (357) | (1) | (978) |
| Exchange differences | – | (10) | (127) | (3) | (7) | (18) | (179) | (344) |
| At 31 December 2019 | – | 17,859 | 24,992 | 9,923 | 3,540 | 4,519 | 20,805 | 81,638 |
| Net carrying amount | | | | | | | | |
| At 31 December 2018 | 22,727 | 138,276 | 169,020 | 3,438 | 2,873 | 1,515 | 26,372 | 364,221 |
| At 31 December 2019 | 35,879 | 145,787 | 246,600 | 4,693 | 5,329 | 1,545 | 27,232 | 467,065 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

| Company | Leasehold
building
\$'000 | Motor
vehicles
\$'000 | Computer
and office
equipment
\$'000 | Furniture,
fixture and
fittings
\$'000 | Total
\$'000 |
|--|---------------------------------|-----------------------------|---|---|-----------------|
| Cost | | | | | |
| At 1 January 2018 | – | 3,034 | 557 | 42 | 3,633 |
| Additions | – | 466 | 78 | 47 | 591 |
| Disposals | – | (650) | (4) | – | (654) |
| Written off | – | – | – | (1) | (1) |
| At 31 December 2018 | – | 2,850 | 631 | 88 | 3,569 |
| Effect of adopting SFRS(I) 16 | 4,454 | – | – | – | 4,454 |
| As at 1 January 2019 | 4,454 | 2,850 | 631 | 88 | 8,023 |
| Additions | – | 977 | 39 | – | 1,016 |
| Disposals | – | (642) | – | (7) | (649) |
| Written off | – | (715) | – | – | (715) |
| At 31 December 2019 | 4,454 | 2,470 | 670 | 81 | 7,675 |
| Accumulated depreciation | | | | | |
| At 1 January 2018 | – | 1,485 | 302 | 17 | 1,804 |
| Depreciation charge | – | 608 | 119 | 16 | 743 |
| Disposals | – | (415) | (1) | – | (416) |
| At 31 December 2018 and 1 January 2019 | – | 1,678 | 420 | 33 | 2,131 |
| Depreciation charge | 1,898 | 406 | 115 | 15 | 2,434 |
| Disposals | – | (576) | – | – | (576) |
| Written off | – | (620) | – | – | (620) |
| At 31 December 2019 | 1,898 | 888 | 535 | 48 | 3,369 |
| Net carrying amount | | | | | |
| At 31 December 2018 | – | 1,172 | 211 | 55 | 1,438 |
| At 31 December 2019 | 2,556 | 1,582 | 135 | 33 | 4,306 |

Assets under construction

The Group's freehold and leasehold buildings included carrying amounts of \$4,332,000 (2018: \$338,000) which relates to expenditure for hotels in the course of construction.

Assets pledged as security

The Group's freehold and leasehold land and buildings with a carrying amount of \$305,886,000 (2018: \$283,075,000) are mortgaged to secure bank borrowings.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

Impairment of assets

The management undertook their annual review of the carrying value of freehold and leasehold land and buildings for indication of impairment and, where appropriate, external valuations were also undertaken. Based on this assessment, an impairment charge of \$315,000 (2018: \$3,227,000) was recognised in the income statement.

In addition, it was assessed that a portion of the furniture, fixture and fittings costs at certain hotels were not recoverable through use and were impaired. The impairment of \$3,808,000 (2018: \$695,000) was recognised in the income statement.

The external valuation as at 31 December 2019 did not take into consideration the effects of COVID-19 outbreak happened subsequent to the year end.

Valuation of completed freehold and leasehold land and buildings

As at 31 December, the completed freehold and leasehold land and buildings were appraised by professional valuers at an open market value as follows:

| | Group | |
|------------------------------|---------|---------|
| | 2019 | 2018 |
| | \$'000 | \$'000 |
| At valuation | | |
| Freehold land and buildings | 57,556 | 40,464 |
| Leasehold land and buildings | 531,690 | 531,660 |

The valuation surplus has not been incorporated in the financial statements.

12. Investment properties

| | Group | |
|---|---------|----------|
| | 2019 | 2018 |
| | \$'000 | \$'000 |
| At 1 January | 250,617 | 251,706 |
| Net gain/(loss) from fair value adjustments recognised in profit or loss (Note 8) | 2,766 | (1,042) |
| Additions (subsequent expenditure) | – | 12,819 |
| Transfer from development properties | 52,458 | – |
| Transfer to property, plant and equipment (Note 11) | – | (12,520) |
| Exchange differences | (313) | (346) |
| At 31 December | 305,528 | 250,617 |

The following amounts are recognised in the income statement:

| | | |
|---|-------|-------|
| Rental income (Note 4) | 7,281 | 7,484 |
| Direct operating expenses arising from rental generating properties | 2,814 | 2,426 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

12. Investment properties (cont'd)

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

Certain investment properties amounting to \$288,258,000 (2018: \$233,800,000) are mortgaged to secure banking facilities.

Valuation of investment properties

Investment properties are stated at fair value, which has been determined based on valuations performed as at balance sheet date. The valuations were performed by Colliers International Consultancy & Valuation (Singapore) Pte Ltd, CBRE Pte Ltd, Savills Valuation and Professional Services (S) Pte Ltd, Knight Frank Pte Ltd and Jones Lang LaSalle Advisory Services Pty Limited, independent valuers with a recognised and relevant professional qualification and with recent experience in the location and category of the properties being valued. Details of valuation techniques and inputs used are disclosed in Note 31(c)(i). The external valuation as at 31 December 2019 did not take into consideration the effects of COVID-19 outbreak happened subsequent to the year end.

Transfer from development properties

In 2019, the Group transferred the retail component of a development property to investment property. On that date, the Group commenced to hold the retail component to earn rental or for capital appreciation, or both.

Transfer to property, plant and equipment

In 2018, the Group transferred one retail property unit that was held as investment property to owner-occupied property. On that date, the Group commenced using the retail property unit for the purpose of operating of a pre-school under its education segment.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

13. Intangible assets

| | Group | | | | Total
\$'000 | Company
Club
member-
ship
\$'000 |
|--|-----------------------------------|------------------------------------|------------------|--------------------|-----------------|--|
| | Club
member-
ship
\$'000 | Intellectual
property
\$'000 | Brands
\$'000 | Goodwill
\$'000 | | |
| Cost | | | | | | |
| At 1 January 2018 | 554 | 1,746 | – | – | 2,300 | 428 |
| Additions | 195 | – | – | – | 195 | 195 |
| Acquisition of a subsidiary (Note 14) | – | 1,324 | 5,602 | 8,878 | 15,804 | – |
| Acquisition of business assets (Note 14) | – | – | – | 1,001 | 1,001 | – |
| Exchange differences | – | – | – | (43) | (43) | – |
| At 31 December 2018 and 1 January 2019 | 749 | 3,070 | 5,602 | 9,836 | 19,257 | 623 |
| Acquisition of subsidiaries (Note 14) | – | 1,123 | – | 25,886 | 27,009 | – |
| Disposals | (126) | – | – | – | (126) | – |
| Exchange differences | – | – | – | (18) | (18) | – |
| At 31 December 2019 | 623 | 4,193 | 5,602 | 35,704 | 46,122 | 623 |
| Accumulated amortisation and impairment | | | | | | |
| At 1 January 2018 | 181 | 247 | – | – | 428 | 55 |
| Amortisation for the year | 59 | 102 | – | – | 161 | 59 |
| Impairment loss | – | 1,499 | – | 514 | 2,013 | – |
| Exchange differences | – | – | – | (22) | (22) | – |
| At 31 December 2018 and 1 January 2019 | 240 | 1,848 | – | 492 | 2,580 | 114 |
| Amortisation for the year | 62 | 449 | – | – | 511 | 62 |
| Impairment loss | – | – | – | 460 | 460 | – |
| Disposal | (126) | – | – | – | (126) | – |
| Exchange differences | – | (11) | – | (11) | (22) | – |
| At 31 December 2019 | 176 | 2,286 | – | 941 | 3,403 | 176 |
| Net carrying amount | | | | | | |
| At 31 December 2018 | 509 | 1,222 | 5,602 | 9,344 | 16,677 | 509 |
| At 31 December 2019 | 447 | 1,907 | 5,602 | 34,763 | 42,719 | 447 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

13. Intangible assets (cont'd)

Brands

Brands relate to the "White Lodge" brands for the Group's education services that were acquired in business combinations. As explained in Note 2.9, the useful life of these brands is estimated to be indefinite.

Amortisation expense

The amortisation of club membership and intellectual property are included in the "Administrative expenses" line item in the income statement. The remaining amortisation period ranges from 3 to 8 years (2018: 4 to 9 years).

Goodwill and intellectual property from acquisitions of subsidiaries

Goodwill and intellectual property arising from the education and construction businesses acquired during the last quarter of the year are provisionally determined as the Group is still in the midst of assessing the fair value of identified assets acquired. The fair value exercise is expected to be finalised within 12 months from date of acquisition hence the Group has not performed any impairment assessment on these acquisitions as the initial allocation of goodwill has not been completed. Furthermore, there are no internal and external triggering events that warrant an impairment assessment, as these businesses are generating revenue and profit for the financial year ended 31 December 2019.

Impairment testing of goodwill and brands

Goodwill and brands acquired through business combinations have been allocated to three cash-generating units ("CGU"), which are also the reportable operating segments, for impairment testing as follows:

- Hospitality segment
- Construction segment
- Education segment

The carrying amounts of goodwill and brands allocated to each CGU are as follows:

| | Hospitality segment | | Construction segment | | Education segment | |
|----------|---------------------|--------|----------------------|--------|-------------------|--------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Goodwill | – | 466 | 11,241 | – | 23,522 | 8,878 |
| Brands | – | – | – | – | 5,602 | 5,602 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

13. Intangible assets (cont'd)

The recoverable amounts of the CGUs have been determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The pre-tax discount rate applied to the cash flow projections and the terminal yield rate used to extrapolate cash flow projections beyond the five-year period are as follows:

| | Hospitality segment | | Education segment |
|---------------------|---------------------|------|-------------------|
| | 2019 | 2018 | 2019 |
| | % | % | % |
| Discount Rate | 8.50 | 8.25 | 10.2 - 14.1 |
| Terminal Yield Rate | 6.25 | 6.25 | 1.5 - 2.5 |

Impairment loss recognised

During the financial year, an impairment loss was recognised to write-down the carrying amount of intellectual property and goodwill which were not recoverable through use. The impairment loss of \$460,000 (2018: \$2,013,000) has been recognised in the "Administrative expenses" line item in the income statement.

14. Investments in subsidiaries

| | Company | |
|-----------------|---------|--------|
| | 2019 | 2018 |
| | \$'000 | \$'000 |
| Shares, at cost | 81,642 | 3,342 |

Details regarding subsidiaries are set out in Note 1.

The Company's contingent liabilities in respect of its investments in subsidiaries are disclosed in Note 30.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

14. Investments in subsidiaries (cont'd)

Interest in subsidiaries with material non-controlling interest ("NCI")

The Group has the following subsidiaries with NCI that are material to the Group.

| Name of Subsidiary | Principal place of business | Proportion of ownership interest held by NCI
% | Profit/(loss) | Accumulated NCI at the end of reporting period
\$'000 | Dividends paid to NCI
\$'000 |
|---|-----------------------------|---|--|--|---------------------------------|
| | | | allocated to NCI during the reporting period
\$'000 | | |
| 31 December 2019 | | | | | |
| Fervale Development Pte. Ltd. | Singapore | 40 | (1,267) | 28,435 | 29,200 |
| CEL Unique Pte. Ltd. and its subsidiaries | Singapore | 40 | 1,745 | (3,670) | – |
| 31 December 2018 | | | | | |
| Fervale Development Pte. Ltd. | Singapore | 40 | 23,547 | 58,902 | – |
| CEL Unique Pte. Ltd. and its subsidiaries | Singapore | 40 | (6,961) | (5,415) | – |

Summarised financial information about subsidiaries with material NCI

Summarised financial information including consolidation adjustments but before intercompany eliminations of subsidiaries with material non-controlling interest is as follows:

| Summarised balance sheets | Fervale Development Pte. Ltd. | | CEL Unique Pte. Ltd. and its subsidiaries | |
|-----------------------------|-------------------------------|----------------|---|----------------|
| | 2019
\$'000 | 2018
\$'000 | 2019
\$'000 | 2018
\$'000 |
| Current | | | | |
| Assets | 120,157 | 492,030 | 705,267 | 735,456 |
| Liabilities | (37,240) | (86,250) | (26,297) | (14,116) |
| Net current assets | 82,917 | 405,780 | 678,970 | 721,340 |
| Non-current | | | | |
| Assets | – | 21,465 | 2,701 | 3,596 |
| Liabilities | (11,830) | (279,990) | (690,846) | (738,474) |
| Net non-current liabilities | (11,830) | (258,525) | (688,145) | (734,878) |
| Net assets/(liabilities) | 71,087 | 147,255 | (9,175) | (13,538) |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

14. Investments in subsidiaries (cont'd)

Summarised financial information about subsidiaries with material NCI (cont'd)

| Summarised statement of comprehensive income | Fernvale Development Pte. Ltd. | | CEL Unique Pte. Ltd. and its subsidiaries | |
|--|--------------------------------|----------|---|----------|
| | 2019 | 2018 | 2019 | 2018 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Revenue | 45,011 | 352,785 | 362,962 | 68,277 |
| (Loss)/Profit before tax | (3,819) | 70,953 | 5,258 | (20,999) |
| Income tax credit/(expense) | 651 | (12,085) | (895) | 3,596 |
| (Loss)/Profit after tax and total comprehensive income | (3,168) | 58,868 | 4,363 | (17,403) |
| Other summarised information | | | | |
| Net cash flows generated from/
(used in) operating activities | 414,456 | (13,207) | 60,773 | 62,763 |
| Net cash flows used in financing activities | (391,000) | (44,000) | (72,000) | (6,026) |

(a) Acquisitions of subsidiaries

Acquisitions in 2019

On 12 April 2019, the Group's 70%-owned subsidiary, White Lodge Education Group Services Pte. Ltd. ("WL") acquired a 64.64% equity interest in Invictus International School Pte. Ltd. ("Invictus"), an education service provider. Upon acquisition, Invictus became a 45.25% subsidiary of the Group.

The Group has acquired Invictus to bring synergy to the WL's operations and expansion plans. In particular, Invictus presents a ready opportunity for expansion into the international primary school education segment.

On 12 December 2019, the Group's subsidiary, CES Education Pte. Ltd. acquired a 100% equity interest in CES Education (Malaysia) Pte. Ltd. ("CEM"), an education service provider. Upon acquisition, CEM became a wholly-owned subsidiary of the Group.

The Group has acquired CEM with a view to add on to the stable of international schools owned by the Group. The acquisition presents an opportunity for the Group to acquire an operating campus with an existing student population and ready facilities and amenities, which the Group can leverage on to rebrand the school in an expedient manner into a premium international school.

On 12 December 2019, the Group's subsidiary, Chip Eng Seng Construction Pte. Ltd. acquired a 100% equity interest in Sembcorp Design and Construction Pte. Ltd. ("SDC"), which is principally engaged in the building construction and construction project management businesses. Upon acquisition, SDC became a wholly-owned subsidiary of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

14. Investments in subsidiaries (cont'd)

(a) Acquisitions of subsidiaries (cont'd)

Acquisitions in 2019 (cont'd)

The Group has acquired SDC to extend the footprint of the Group's existing construction business to among other things, building construction and construction management businesses in respect of infrastructure and civil engineering projects in Singapore.

The Group has elected to measure the above non-controlling interests at the non-controlling interest's proportionate share of net identifiable assets of the respective subsidiaries.

The provisional fair values of the identifiable assets and liabilities of subsidiaries as at their respective acquisition dates were:

| | Fair value recognised on acquisition | | |
|---|--------------------------------------|-----------------|-----------------|
| | Invictus and
CEM
\$'000 | SDC
\$'000 | Total
\$'000 |
| Property, plant and equipment | 32,477 | 6,467 | 38,944 |
| Intangible assets | 1,123 | – | 1,123 |
| Trade and other receivables | 1,762 | 21,790 | 23,552 |
| Contract assets | – | 9,520 | 9,520 |
| Tax recoverable | 5 | – | 5 |
| Inventories | 3 | – | 3 |
| Cash and cash equivalents | 9,993 | 68,571 | 78,564 |
| | <u>45,363</u> | <u>106,348</u> | <u>151,711</u> |
| Trade and other payables | (4,965) | (19,930) | (24,895) |
| Other liabilities | – | (42,026) | (42,026) |
| Income tax payable | – | (4,937) | (4,937) |
| Loans and borrowings | (9,823) | – | (9,823) |
| Lease liabilities | (2,543) | (586) | (3,129) |
| Deferred tax liabilities | (2,548) | (38) | (2,586) |
| | <u>(19,879)</u> | <u>(67,517)</u> | <u>(87,396)</u> |
| Total identifiable net assets at fair value | 25,484 | 38,831 | 64,315 |
| Non-controlling interest's proportionate share of subsidiaries' identifiable net assets | (2,658) | – | (2,658) |
| Non cash consideration | (3,539) | – | (3,539) |
| Goodwill arising from acquisitions | 14,645 | 11,241 | 25,886 |
| Total consideration paid in cash | <u>33,932</u> | <u>50,072</u> | <u>84,004</u> |
| <u>Effect of the acquisitions of subsidiaries on cash flows</u> | | | |
| Total consideration paid in cash | 33,932 | 50,072 | 84,004 |
| Less: Cash and cash equivalents of subsidiaries acquired | (9,993) | (68,571) | (78,564) |
| Net cash outflow/(inflow) on acquisition | <u>23,939</u> | <u>(18,499)</u> | <u>5,440</u> |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

14. Investments in subsidiaries (cont'd)

(a) Acquisitions of subsidiaries (cont'd)

Acquisitions in 2019 (cont'd)

Provisional goodwill arising from acquisitions

The provisional goodwill of \$25,886,000 comprise the value of expected synergies and opportunities arising from the acquisitions. \$14,645,000 and \$11,241,000 are allocated to the education segment and construction segment respectively. None of the goodwill recognised is expected to be deductible for income tax purposes.

Impact of the acquisitions on profit or loss

From the acquisition dates of respective subsidiaries, the subsidiaries have contributed \$7,378,000 of revenue and \$5,302,000 of net loss to the Group's results in the year of acquisitions. If the business combinations had taken place at the beginning of the year of acquisitions, the subsidiaries would have contributed revenue of \$101,469,000 and net loss of \$138,000 to the Group's results.

Provisional accounting of the acquisitions of subsidiaries

Goodwill and intellectual property have been provisionally identified as intangible assets arising from these acquisitions. For the subsidiaries acquired during the year, the fair values of the assets and liabilities have been determined on a provisional basis as the final results of the independent valuations have not been received by the date the financial statements was authorised for issue. Accordingly, adjustments will be made on a retrospective basis upon finalisation of the purchase price allocation exercises.

Acquisition of additional interest in Invictus

Subsequent to the acquisition, the Group through its subsidiary, CES WL Pte. Ltd., increased another 10.15% equity interest in Invictus for a purchase consideration of \$2,540,000. As a result, Invictus became a 55.4% subsidiary of the Group.

The carrying value of the net assets of Invictus (excluding goodwill on the original acquisition) was \$6,118,000.

Following is a schedule of additional interest acquired in Invictus:

| | <u>\$'000</u> |
|---|---------------|
| Consideration paid to non-controlling shareholders | 2,540 |
| Carrying value of the additional interest in Invictus | <u>(621)</u> |
| Difference recognised in other reserves | <u>1,919</u> |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

14. Investments in subsidiaries (cont'd)

(a) Acquisitions of subsidiaries (cont'd)

Acquisition in 2018

On 31 August 2018, the Group's subsidiary, CES Education Pte. Ltd. acquired a 70% equity interest in White Lodge Education Group Services Pte. Ltd. ("WL"), an education service provider. Upon acquisition, WL became a subsidiary of the Group.

The Group had acquired WL in order to expand its footprint in the pre-school education segment.

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

The provisional fair values of the identifiable assets and liabilities of WL as at the acquisition date were:

| | Fair value recognised
on acquisition |
|--|---|
| | \$'000 |
| Property, plant and equipment | 148 |
| Intangible assets | 6,926 |
| Deferred tax assets | 5 |
| Trade and other receivables | 1,282 |
| Cash and cash equivalents | 3,486 |
| | <hr/> |
| | 11,847 |
| | <hr/> |
| Trade and other payables | (3,548) |
| Deferred tax liability | (1,177) |
| | <hr/> |
| | (4,725) |
| | <hr/> |
| Total identifiable net assets at fair value | 7,122 |
| Non-controlling interest's proportionate share of WL's identifiable net assets | (2,137) |
| Goodwill arising from acquisition | 8,878 |
| | <hr/> |
| Total consideration paid in cash | 13,863 |
| | <hr/> |
| <u>Effect of the acquisition of WL on cash flows</u> | |
| Total consideration paid in cash | 13,863 |
| Less: Cash and cash equivalents of subsidiary acquired | (3,486) |
| | <hr/> |
| Net cash outflow on acquisition | 10,377 |
| | <hr/> |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

14. Investments in subsidiaries (cont'd)

(a) Acquisitions of subsidiaries (cont'd)

Acquisition in 2018 (cont'd)

Provisional goodwill arising from acquisition

The provisional goodwill of \$8,878,000 comprises the value WL is expected to deliver to the Group's entrance into the education industry. Goodwill is allocated entirely to the education segment. None of the goodwill recognised is expected to be deductible for income tax purposes.

Impact of the acquisition on profit or loss

From the acquisition date, WL has contributed \$2,597,000 of revenue and \$524,000 to the Group's profit for the year of acquisition. If the business combination had taken place at the beginning of the year of acquisition, the revenue from continuing operations would have been \$7,521,000 and the Group's profit from continuing operations, net of tax would have been \$1,208,000.

Provisional accounting of the acquisition of WL

Brand and intellectual property have been provisionally identified as intangible assets arising from this acquisition. The Group has engaged an independent valuer to determine the fair values of the assets and liabilities acquired. As at 31 December 2018, the fair values of the assets and liabilities have been determined on a provisional basis as the final results of the independent valuation have not been received by the date the financial statements was authorised for issue. The fair values were subsequently finalised in 2019. As the difference between the provisional and the finalised fair values were not material, the comparative figures have not been adjusted.

(b) Acquisition of business assets

Acquisition in 2018

On 27 March 2018, the Group's subsidiary, CES Grosvenor Hotel (SA) Pty Ltd entered into a sale of business agreement with Kildair Hotels (Grosvenor) Pty Ltd to acquire business assets in Adelaide, Australia. The acquisition is in line with the Group's strategy to expand its hospitality investment portfolio and to broaden its recurring revenue streams.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

14. Investments in subsidiaries (cont'd)

(b) Acquisition of business assets (cont'd)

Acquisition in 2018 (cont'd)

Details of the consideration paid and the assets acquired at the acquisition date were as follows:

| | Fair value recognised
on acquisition |
|--|---|
| | \$'000 |
| Property, plant and equipment | 29,212 |
| Trade and other receivables | 29 |
| Cash and cash equivalents | 6 |
| | <u>29,247</u> |
| Trade and other payables | (552) |
| | <u>(552)</u> |
| Total identifiable net assets at fair value | 28,695 |
| Goodwill arising from acquisition | 1,001 |
| | <u>29,696</u> |
| <u>Effect of the acquisition of CES Grosvenor Hotel (SA) Pty Ltd on cash flows</u> | |
| Total consideration paid in cash | 29,696 |
| Less: Cash and cash equivalents of subsidiary acquired | (6) |
| | <u>29,690</u> |

Goodwill arising from acquisition

The goodwill of \$1,001,000 arising from the acquisition is attributable to the premium the Group was willing to pay to expand its presence in the Australia market. The acquisition of business assets from Kildair Hotels (Grosvenor) Pty Ltd was completed on 27 March 2018 and the purchase price allocation to identifiable assets acquired was completed on 7 December 2018. The goodwill is allocated entirely to the hospitality segment.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

14. Investments in subsidiaries (cont'd)

(b) Acquisition of business assets (cont'd)

Acquisition in 2018 (cont'd)

Impact of the acquisition on profit or loss

From the acquisition date, CES Grosvenor Hotel (SA) Pty Ltd has contributed \$7,413,000 of revenue and \$3,648,000 of net loss for the year of acquisition. If the business assets had been acquired at the beginning of the year of acquisition, the revenue from continuing operations would have been \$7,517,000 and the Group's loss from continuing operations, net of tax would have been \$4,269,000.

15. Investment in jointly controlled entities

(a) Joint venture

The Group has 50% (2018: 50%) interest in the ownership and voting rights in a joint venture, Roxy-CES (NZ) Limited that is held through a subsidiary. This joint venture is incorporated in New Zealand and is a strategic venture in the business of property investment. The Group jointly controls the venture with other partner under the contractual agreement and requires unanimous consent for all major decisions over the relevant activities.

Details regarding the joint venture are set out in Note 1.

Information about the Group's investment in Roxy-CES (NZ) Limited are as follows:

| | Group | |
|--|--------------|-------------|
| | 2019 | 2018 |
| | \$'000 | \$'000 |
| Share of profit after tax and total comprehensive income | 3,152 | 3,542 |

(b) Joint operations

The Group has a 50% and 40% equity interest in the ownership and voting rights in joint operations, Sinohydro-Sembcorp Joint Venture and Hock Lian Seng Infrastructure-Sembcorp Design and Construction Joint Venture respectively that are held through a subsidiary, Sembcorp Design and Construction Pte. Ltd.

All joint operations are incorporated in Singapore and are strategic ventures of the business. The Group controls the joint operations with the other partner under the contractual agreements which provide the Group with rights to assets and obligations for the liabilities relating to the joint operations.

Details regarding the joint operations are set out in Note 1.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

16. Investments in associates

| | Group | | Company | |
|---------------------------|----------------|----------------|----------------|----------------|
| | 2019
\$'000 | 2018
\$'000 | 2019
\$'000 | 2018
\$'000 |
| Investments in associates | 26,233 | 6,105 | 650 | 650 |

The Group has a 35% interest in Zeus Edutech Group (Cayman) and its subsidiaries ("Zeus Group"), whose principal business is education software, online K-12 education, education training and consulting services. The following table illustrates the summarised financial information of the Group's investment in Zeus Group:

| | Zeus
Group
2019
\$'000 |
|---|---------------------------------|
| Current assets | 14,073 |
| Non-current assets | 3,723 |
| Current liabilities | (266) |
| Non-current liabilities | (880) |
| Equity | 16,650 |
| Group's share in equity – 35% | 5,828 |
| Goodwill | 9,014 |
| Group's carrying amount of the investment | 14,842 |
| Add: Carrying value of individually immaterial associates | 11,391 |
| Carrying value of Group's interest in associates | 26,233 |
| Profit before and after income tax | 3,023 |
| Other comprehensive income | (243) |
| Total comprehensive income | 2,780 |
| Group's share of profit for the year | 1,056 |

The Group did not have any material associates in 2018.

Details regarding associates are set out in Note 1.

The following table summarises in aggregate, the Group's share of profit and total comprehensive income of the Group's individually immaterial associates accounted for using the equity method:

| | Group | |
|---|----------------|----------------|
| | 2019
\$'000 | 2018
\$'000 |
| Profit after tax and total comprehensive income | 401 | 1,386 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

17. Trade and other receivables

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2019
\$'000 | 2018
\$'000 | 2019
\$'000 | 2018
\$'000 |
| Current: | | | | |
| Trade receivables | 34,097 | 9,351 | – | – |
| Accrued receivables | 89,092 | 65,229 | – | – |
| Deposits | 7,621 | 3,468 | 3 | 3 |
| Recoverables | 10,406 | 9,532 | 10 | 351 |
| GST receivables | 2,024 | 4,006 | – | – |
| Advances for a proposed investment | 21,987 | 31,372 | – | – |
| Amounts due from subsidiaries, trade | – | – | 16,268 | 7,697 |
| Amounts due from associate, trade | 9,000 | – | – | – |
| Amounts due from related parties, trade | 469 | – | – | – |
| Others | 1,640 | 486 | 110 | 45 |
| | 176,336 | 123,444 | 16,391 | 8,096 |
| Non-current: | | | | |
| Amounts due from subsidiaries, non-trade | – | – | 346,605 | 275,045 |
| Amount due from associate, non-trade | 197 | – | – | – |
| Amounts due from joint venture, non-trade | 28,036 | 28,302 | – | – |
| Amounts due from non-controlling interest, non-trade | – | 8,591 | – | – |
| Other receivables | 4,373 | 3,518 | – | – |
| | 32,606 | 40,411 | 346,605 | 275,045 |
| Total trade and other receivables
(excluding GST receivables) | 206,918 | 159,849 | 362,996 | 283,141 |
| Add: Cash and short-term deposits (Note 20) | 378,487 | 342,558 | 57,729 | 41,428 |
| Total financial assets carried at amortised cost | 585,405 | 502,407 | 420,725 | 324,569 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

17. Trade and other receivables (cont'd)

Trade and other receivables denominated in foreign currencies at 31 December are as follows:

| | Group | |
|--------------------|--------|--------|
| | 2019 | 2018 |
| | \$'000 | \$'000 |
| Vietnamese Dong | 9,000 | 9,000 |
| US Dollar | 4,259 | 3,360 |
| New Zealand Dollar | 28,036 | 28,302 |
| Renminbi | 197 | – |

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

These amounts are non-interest bearing and are generally on 14 to 90 days terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Deposits

Included in the deposits are rental deposits amounting to \$4,589,000 and deposits paid for building and construction equipment amounting to \$1,685,000 (2018: deposits for property purchases in Singapore and Australia amounting to \$1,636,000).

Recoverables

Recoverables relate mainly to payment made on behalf of suppliers and advances to sub-contractors.

Advances for a proposed investment

Advances for a proposed investment relates to loan to Giai Loi Investment Joint Stock Company to repay its bank loan in Vietnam in order for the Group to invest in a real estate development project known as "Soai Kinh Lam Apartment – Commerce Center" located in District 5, Ho Chi Minh City, Vietnam.

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

These amounts are unsecured and bear interest at varying rates from 2.81% to 4.84% p.a. (2018: \$267,058,000 at varying rates from 4.03% to 4.59% p.a.). The amounts have no repayment terms and are repayable only when the cash flow of the subsidiaries permits.

Amounts due from joint venture and associate, non-trade (non-current)

These amounts are unsecured, non-interest bearing and are not expected to be repaid within the next twelve months. All amounts are to be settled in cash.

Amounts due from non-controlling interest, non-trade (non-current)

In 2018, these amounts were unsecured, bear interest ranging from 2.43% to 2.70% and not expected to be repaid within the next twelve months. The amounts had no repayment terms and were repayable only when the cash flow of the non-controlling interest permits. These amounts have been fully repaid by the non-controlling interest in 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

17. Trade and other receivables (cont'd)

Other receivables (non-current)

These amounts are unsecured and non-interest bearing, except for loans amounting to \$3,897,000 (2018: \$3,282,000) at fixed rate of 7% (2018: 7%). The amounts are not expected to be repaid within the next twelve months.

Expected credit losses

The movement in allowance for expected credit losses of trade receivables computed based on lifetime ECL are as follows:

| | Group | |
|---------------------------------|--------------|-------------|
| | 2019 | 2018 |
| | \$'000 | \$'000 |
| Movement in allowance accounts: | | |
| At 1 January | 2,571 | 2,250 |
| Charge for the year | – | 348 |
| Write back | – | (10) |
| Written off | (2,437) | (12) |
| Exchange differences | (4) | (5) |
| At 31 December | 130 | 2,571 |

18. Development properties

| | Group | |
|--|--------------|-------------|
| | 2019 | 2018 |
| | \$'000 | \$'000 |
| Properties under development, units for which revenue is recognised over time | | |
| Land and land related cost | 1,164,808 | 1,235,961 |
| Development costs | 108,979 | 70,014 |
| | 1,273,787 | 1,305,975 |
| Properties under development, units for which revenue is recognised at a point in time | | |
| Land and land related cost | 77,855 | 86,860 |
| Development costs | 21,582 | 17,494 |
| | 99,437 | 104,354 |
| Total development properties | 1,373,224 | 1,410,329 |
| Development properties recognised as an expense in cost of sales | 607,852 | 603,308 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

18. Development properties (cont'd)

Included in development properties are land costs and borrowing costs that are attributable to the sold units, which are capitalised. These costs are expected to be recoverable and are amortised to profit or loss on a systemic basis as the Group recognises the related revenue.

The amount of fulfilment costs recognised in profit or loss is disclosed in Note 4(d).

During the financial year, borrowing costs of \$9,479,000 (2018: \$9,951,000) arising from borrowings obtained specifically for the development properties were capitalised under "Development cost". Interest rate for borrowing costs capitalised during the year range from 2.32% to 2.92% (2018: 1.84% to 5.33%) per annum.

The development properties are subject to legal mortgages for the purpose of securing bank loans (Note 21).

19. Inventories

| | Group | |
|---|----------------|----------------|
| | 2019
\$'000 | 2018
\$'000 |
| Raw materials (at cost) | 599 | 266 |
| Finished goods (at cost or net realisable value) | 1,285 | 986 |
| Hotel supplies (at cost) | 954 | 900 |
| | 2,838 | 2,152 |
| Income statement: | | |
| Inventories recognised as an expense in cost of sales | 19,804 | 18,326 |

20. Cash and short-term deposits

| | Group | | Company | |
|---------------------------------------|----------------|----------------|----------------|----------------|
| | 2019
\$'000 | 2018
\$'000 | 2019
\$'000 | 2018
\$'000 |
| Cash at banks and on hand | 121,537 | 93,779 | 6,726 | 4,063 |
| Short-term deposits | 116,156 | 113,554 | 51,003 | 37,365 |
| Project account – Cash at bank | 15,918 | 29,568 | – | – |
| Project account – Short-term deposits | 124,876 | 105,657 | – | – |
| | 378,487 | 342,558 | 57,729 | 41,428 |

Cash at banks earn interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between 1 day and 12 months, 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 for the year ended 31 December 2019 for the Group and the Company range from 0.1% to 2.25% (2018: 0.01% to 2.17%) and from 0.1% to 2.18% (2018: 0.7% to 2.17%) respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

As at 31 December 2019, the Group has a total balance of \$140,794,000 (2018: \$135,225,000) held under the Housing Developers (Project Account) Rules in Singapore and the use of which is also governed by these rules.

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

| | Group | | Company | |
|-------------------|--------|--------|---------|--------|
| | 2019 | 2018 | 2019 | 2018 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Australian Dollar | 504 | 54,172 | 255 | 36,884 |
| US Dollar | 16,946 | 542 | 16,758 | 390 |
| Malaysian Ringgit | 17 | – | – | – |
| Vietnamese Dong | 55 | 56 | 51 | 52 |

The Group has pledged a part of its short-term deposits to fulfil collateral requirements.

For purposes of the consolidated cash flows statement, cash and cash equivalents comprise the following:

| | Group | |
|---|---------|---------|
| | 2019 | 2018 |
| | \$'000 | \$'000 |
| Cash and short-term deposits (as above) | 378,487 | 342,558 |
| Less: short-term deposits pledged | (4,256) | – |
| Cash and cash equivalents per consolidated cash flows statement | 374,231 | 342,558 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

21. Loans and borrowings

| | Maturity | Group | | Company | |
|----------------------------|--------------|----------------|----------------|----------------|----------------|
| | | 2019
\$'000 | 2018
\$'000 | 2019
\$'000 | 2018
\$'000 |
| Current: | | | | | |
| Secured bank loans | 2020 | 231,880 | 129,773 | – | – |
| | | 231,880 | 129,773 | – | – |
| Non-current: | | | | | |
| Secured bank loans | 2021 to 2040 | 1,428,214 | 1,643,110 | – | – |
| Unsecured term notes | 2021 | 13,000 | 13,000 | 13,000 | 13,000 |
| Unsecured term notes | 2022 | 25,250 | 25,250 | 25,250 | 25,250 |
| Unsecured term notes | 2022 | 100,000 | – | – | – |
| | | 1,566,464 | 1,681,360 | 38,250 | 38,250 |
| Total loans and borrowings | | 1,798,344 | 1,811,133 | 38,250 | 38,250 |

Secured bank loans

The Group's bank loans are denominated in Singapore and US Dollars. For the year ended 31 December 2019, the bank loans bear interest at varying rates from 2.32% to 5.15% (2018: 1.75% to 3.89%) per annum.

The bank loans are secured by:

- legal mortgage on the school campus (Note 11), hotels (Note 11), investment properties (Note 12) and development properties (Note 18);
- assignment of present and future tenancy and sales agreements;
- assignment of construction contracts, performance bonds and fire insurance policies;
- subordination of shareholder's loan;
- fixed and floating charge on all the assets of the hotel;
- assignment of building agreements;
- assignment of dividends to be received;
- charge of bank accounts with the banker; and
- corporate guarantee from the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

21. Loans and borrowings (cont'd)

Unsecured term notes

On 14 June 2016, the Company issued \$120,000,000 of notes under the \$500,000,000 Multicurrency Debt Issuance Programme (the "Programme"). These notes which are unsecured, bear interest at a fixed rate of 4.75% per annum, payable semi-annually in arrear and will mature in June 2021.

On 8 May 2017, the Company issued a Supplementary Deed of Covenant to increase the Programme limit from \$500,000,000 to \$750,000,000.

On 19 May 2017, the Company issued \$125,000,000 of notes under the Programme. These notes which are unsecured, bear interest at a fixed rate of 4.90% per annum, payable semi-annually in arrear and will mature in May 2022.

On 11 December 2018, the Company redeemed \$206,750,000 of the notes under the Programme.

On 15 March 2019, the Company's wholly-owned subsidiary, CES Treasury Pte. Ltd., issued \$100,000,000 of notes under the Programme. These notes which are unsecured, bear interest at a fixed rate of 6.00% per annum, payable semi-annually in arrear and will mature in March 2022.

A reconciliation of liabilities arising from financing activities is as follows:

| | 1 January
2019 | Cash
flows | New
leases | Accretion
of interest | Non-cash changes: | | 31
December
2019 |
|-----------------------------|-------------------|---------------|---------------|--------------------------|---------------------------------|---------------------------------|------------------------|
| | | | | | Acquisition
of
subsidiary | Foreign
exchange
movement | |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Loans and bonds | 1,811,133 | (21,890) | – | – | 9,823 | (722) | 1,798,344 |
| Lease liabilities (Note 29) | 15,296 | (5,749) | 60,435 | 1,507 | 3,129 | (521) | 74,097 |
| | 1,826,429 | (27,639) | 60,435 | 1,507 | 12,952 | (1,243) | 1,872,441 |

| | 1 January
2018 | Cash
flows | Non-cash changes: | | 31 December
2018 |
|-----------------|-------------------|---------------|---------------------------------|--------|---------------------|
| | | | Foreign
exchange
movement | | |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Loans and bonds | 1,532,810 | 277,105 | 1,218 | | 1,811,133 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

22. Trade and other payables

| | Group | | Company | |
|---|------------------|------------------|----------------|----------------|
| | 2019
\$'000 | 2018
\$'000 | 2019
\$'000 | 2018
\$'000 |
| Current: | | | | |
| Trade payables | 61,911 | 53,132 | 99 | 193 |
| Other payables | 21,856 | 10,116 | – | – |
| Amounts due to subsidiaries, non-trade | – | – | 14,000 | 416 |
| Amount due to non-controlling interest, trade | 1,199 | 467 | – | – |
| GST payables | 2,759 | 1,099 | 153 | 62 |
| | 87,725 | 64,814 | 14,252 | 671 |
| Non-current: | | | | |
| Trade payables | 29,186 | 12,912 | – | – |
| Amounts due to subsidiaries, non-trade | – | – | 252,140 | 191,017 |
| Amount due to non-controlling interest, non-trade | 137,096 | 127,784 | – | – |
| | 166,282 | 140,696 | 252,140 | 191,017 |
| Trade and other payables (excluding GST payables) | 251,248 | 204,411 | 266,239 | 191,626 |
| Add: | | | | |
| - Other liabilities (excluding lease liabilities) (Note 23) | 93,608 | 48,466 | 3,593 | 7,414 |
| - Loans and borrowings (Note 21) | 1,798,344 | 1,811,133 | 38,250 | 38,250 |
| Total financial liabilities carried at amortised cost | 2,143,200 | 2,064,010 | 308,082 | 237,290 |

Trade payables, amounts due to subsidiaries, non-trade and amount due to non-controlling interest, trade (current)

The amounts are non-interest bearing, except for an amount of \$14,000,000 in 2019 which bears interest from 1.63% to 1.75% per annum. These amounts are normally settled on 30 to 90 days terms.

Amounts due to subsidiaries, non-trade and amount due to non-controlling interest, non-trade (non-current)

The amounts are unsecured, bear interest from 1.63% to 6.30% (2018: 1.44% to 5.33%) per annum. The amounts are to be settled in cash.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

23. Other liabilities

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2019
\$'000 | 2018
\$'000 | 2019
\$'000 | 2018
\$'000 |
| Current: | | | | |
| Accrued project costs and operating expenses | 87,530 | 36,635 | 3,593 | 7,414 |
| Provision for onerous contracts | 6,022 | 11,795 | – | – |
| Lease liabilities | 9,344 | – | 1,914 | – |
| | 102,896 | 48,430 | 5,507 | 7,414 |
| Non-current: | | | | |
| Accrued project costs and operating expenses | 56 | 36 | – | – |
| Lease liabilities | 64,753 | – | 667 | – |
| | 64,809 | 36 | 667 | – |
| Total other liabilities | 167,705 | 48,466 | 6,174 | 7,414 |

| | Group | |
|--|----------------|----------------|
| | 2019
\$'000 | 2018
\$'000 |
| Movement in provision for onerous contracts: | | |
| At 1 January | 11,795 | 9,500 |
| Arose during the financial year | 1,000 | 7,500 |
| Utilised | (6,773) | (5,205) |
| At 31 December | 6,022 | 11,795 |

Provision for onerous contracts is made when it is assessed that the costs to fulfil the performance obligation is unavoidable for loss-making contracts. It is expected that these costs will be incurred in the next financial year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

24. Deferred tax assets and liabilities

Deferred tax assets and liabilities as at 31 December relate to the following:

| | Group | | | | Company | |
|--|-------------------------------|-----------------|----------------------------------|---------------|------------------|-------------|
| | Consolidated
Balance Sheet | | Consolidated
Income Statement | | Balance
Sheet | |
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Deferred tax assets | | | | | | |
| Unutilised tax losses | 7,761 | 5,956 | (1,805) | 13 | – | – |
| | <u>7,761</u> | <u>5,956</u> | | | <u>–</u> | <u>–</u> |
| Deferred tax liabilities | | | | | | |
| Differences in depreciation
for tax purpose | (5,490) | (2,946) | 1,367 | (161) | – | (36) |
| Fair value adjustments on
acquisition of subsidiary | (2,362) | (1,177) | – | – | – | – |
| Deferred tax liabilities on
development properties | (26,837) | (34,049) | 11,350 | 16,170 | – | – |
| | <u>(34,689)</u> | <u>(38,172)</u> | | | <u>–</u> | <u>(36)</u> |
| Deferred tax expenses | | | <u>10,912</u> | <u>16,022</u> | | |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

24. Deferred tax assets and liabilities (cont'd)

Unrecognised tax losses

At the end of the reporting period, the Group has tax losses and allowances of approximately \$60,560,000 (2018: \$31,673,000) 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. The tax losses do not expire under current tax legislation.

Unrecognised temporary differences relating to investments in subsidiaries, associates and joint venture

At the end of the reporting period, no deferred tax liability (2018: Nil) has been recognised for taxes that would be payable on the undistributed earnings of certain of the Group's subsidiaries, associates and joint venture as there are no overseas subsidiaries, associates and joint venture with distributable earnings that will be subjected to tax.

Tax consequence of proposed dividends

There are no income tax consequences (2018: Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 35).

25. Share capital and treasury shares

(a) Share capital

| | Group and Company | | | |
|--|--------------------------|---------|--------------------------|--------|
| | 2019 | | 2018 | |
| | No. of
shares
'000 | \$'000 | No. of
shares
'000 | \$'000 |
| Issued and fully paid ordinary shares | | | | |
| At 1 January | 667,515 | 79,691 | 667,515 | 79,691 |
| Issuance of shares | 156,504 | 98,597 | – | – |
| Transaction costs on issuance of shares | – | (2,310) | – | – |
| At 31 December | 824,019 | 175,978 | 667,515 | 79,691 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

(a) Share capital (cont'd)

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.

On 18 October 2019, the Company issued 156,503,515 ordinary shares pursuant to the Rights Issue approved by the Shareholders on 13 September 2019 at an exercise price of \$0.63 per share.

(b) Treasury shares

| | Group and Company | | | |
|--|-----------------------|----------|-----------------------|----------|
| | 2019 | | 2018 | |
| | No. of shares
'000 | \$'000 | No. of shares
'000 | \$'000 |
| At 1 January | (41,501) | (30,034) | (46,501) | (33,653) |
| Reissued pursuant to employee share option plans | | | | |
| - For cash on exercise of employee share options | - | - | 5,000 | 2,771 |
| - Transferred from share-based compensation reserve (Note 26(e)) | - | - | - | 513 |
| - Transferred from treasury shares reserve (Note 26(d)) | - | - | - | 335 |
| At 31 December | (41,501) | (30,034) | (41,501) | (30,034) |

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

In 2018, the Company reissued 5,000,000 treasury shares pursuant to the ESOS at an exercise price of \$0.55 each.

26. Other reserves

| | Note | Group | | Company | |
|--------------------------------------|------|----------------|----------------|----------------|----------------|
| | | 2019
\$'000 | 2018
\$'000 | 2019
\$'000 | 2018
\$'000 |
| Foreign currency translation reserve | (a) | (14,891) | (12,453) | - | - |
| Capital reserve | (b) | 674 | 674 | - | - |
| Asset revaluation reserve | (c) | 2,611 | 2,611 | - | - |
| Treasury shares reserve | (d) | (868) | (868) | (868) | (868) |
| Share-based compensation reserve | (e) | 4,973 | 4,261 | 4,973 | 4,261 |
| Other reserve | (f) | (1,919) | - | - | - |
| | | (9,420) | (5,775) | 4,105 | 3,393 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

26. Other reserves (cont'd)

(a) 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 | |
|--|-----------------|-----------------|
| | 2019
\$'000 | 2018
\$'000 |
| At 1 January | (12,453) | 530 |
| Net effect of exchange difference arising from translation of financial statements of foreign operations | (2,347) | (12,944) |
| Share of other comprehensive income of associates and joint venture | (91) | (39) |
| At 31 December | <u>(14,891)</u> | <u>(12,453)</u> |

(b) Capital reserve

| | Group | |
|----------------------------------|----------------|----------------|
| | 2019
\$'000 | 2018
\$'000 |
| At beginning and end of the year | <u>674</u> | <u>674</u> |

(c) Asset revaluation reserve

This represents the Group's share in fair value reserve of leasehold land and building of an associate.

| | Group | |
|---|----------------|----------------|
| | 2019
\$'000 | 2018
\$'000 |
| At 1 January | 2,611 | 2,655 |
| Share of other comprehensive income of an associate | - | (44) |
| At 31 December | <u>2,611</u> | <u>2,611</u> |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

26. Other reserves (cont'd)

(d) Treasury shares reserve

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

| | Group and Company | |
|---|--------------------------|--------------|
| | 2019 | 2018 |
| | \$'000 | \$'000 |
| At 1 January | (868) | (533) |
| Treasury shares reissued pursuant to employee share option scheme | – | (335) |
| At 31 December | <u>(868)</u> | <u>(868)</u> |

(e) Share-based compensation reserve

Share-based compensation reserve represents the equity-settled share options granted to employees. The reserve is made up of the cumulative fair value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the expiry or exercise of the share options.

| | Group and Company | |
|---|--------------------------|--------------|
| | 2019 | 2018 |
| | \$'000 | \$'000 |
| At 1 January | 4,261 | 3,779 |
| Fair value of employee services rendered during the year | 712 | 995 |
| Treasury shares reissued pursuant to employee share option scheme | – | (513) |
| At 31 December | <u>4,973</u> | <u>4,261</u> |

(f) Other reserve

Other reserve represents the difference between the change in carrying amount of non-controlling interest acquired and the fair value of the consideration paid.

| | Group | |
|---|----------------|-------------|
| | 2019 | 2018 |
| | \$'000 | \$'000 |
| At 1 January | – | – |
| Acquisition of non-controlling interest | (1,919) | – |
| At 31 December | <u>(1,919)</u> | <u>–</u> |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

27. Employee benefits expense

| | Group | |
|--|--------|--------|
| | 2019 | 2018 |
| | \$'000 | \$'000 |
| Employee benefits expense (including directors): | | |
| Salaries and bonuses | 60,190 | 59,895 |
| Central Provident Fund contributions | 7,406 | 8,095 |
| Share-based compensation expenses | 712 | 995 |
| Other short term benefits | 5,255 | 3,641 |
| | 73,563 | 72,626 |

Chip Eng Seng Employee Share Option Scheme 2013

The Chip Eng Seng Employee Share Option Scheme 2013 ("ESOS") was approved by the shareholders at the Extraordinary General Meeting of the Company held on 25 April 2013. Under the terms of the ESOS, options to subscribe for the Company's ordinary shares may be granted to employees (including executive directors) and non-executive directors of the Group and the associated companies over which the Company has control. The schemes are administered by the Remuneration Committee.

Options granted shall not exceed 15% of the total issued shares (excluding treasury shares) on the day immediately preceding the offer date of the ESOS. The exercise price of the granted options was determined based on the average of the last business done prices of the Company for five market days immediately preceding the date of grant of the option. The Remuneration Committee may at its discretion fix the exercise price at a discount not exceeding 20% to the above price. The vesting period is 2 years for options granted at a discounted exercise price, and 1 year for options granted without discount. The share options expire in stages before the eighth anniversary from the date of grant.

On 3 June 2016, options were granted pursuant to the ESOS to an executive director of the Company to subscribe for 40,000,000 ordinary shares in the Company at the discounted exercise price of \$0.55 per ordinary share.

On 9 April 2019, options were granted pursuant to the ESOS to two executive directors of the Company to subscribe for 15,000,000 ordinary shares in the Company at the discounted exercise price of \$0.76 per ordinary share.

Movements in the number of unissued ordinary shares under the ESOS and their exercise prices are as follows:

| | 2019 | | 2018 | |
|----------------------------|----------------------------|--|----------------------------|--|
| | Number of
share options | Weighted
average
exercise
price
\$ | Number of
share options | Weighted
average
exercise
price
\$ |
| Outstanding at 1 January | 35,000,000 | 0.55 | 40,000,000 | 0.55 |
| Granted during the year | 15,000,000 | 0.76 | – | – |
| Exercised during the year | – | – | (5,000,000) | 0.55 |
| Outstanding at 31 December | 50,000,000 | 0.61 | 35,000,000 | 0.55 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

27. Employee benefits expense (cont'd)

The weighted average share price at the date of exercise of the options exercised in 2018 was \$0.80.

The range of exercise prices for the options outstanding at the end of the year was \$0.55 to \$0.76 (2018: \$0.55). The weighted average remaining contractual life of these options is 4.2 years (2018: 4.3 years).

Fair value of share options granted

The fair value of share options granted during the year was \$0.123, estimated at date of grant using the binomial option pricing model, taking into account the terms and conditions upon which the share options were granted. The significant inputs into the model were share price of \$0.80 at the date of grant, exercise price of \$0.76, expected dividend yield of 5.00%, the expected weighted average life of 4 years and annual weighted average risk-free interest rate of 1.91%. The expected weighted average volatility of 23.87% based on historical volatility of the Company's share price over a period similar to the expected life of the options is indicative of future trends, which may not necessarily be the actual outcome.

There were no share options granted in 2018.

28. 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 | |
|---|----------------|----------------|
| | 2019
\$'000 | 2018
\$'000 |
| Management and other fees from associates | 10 | 10 |
| Sale of development properties to directors of the Company and family members of directors of the Company | – | 1,250 |
| Rental of premise from director of a subsidiary | 98 | 33 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

28. Related party transactions (cont'd)

(b) Compensation of key management personnel

| | Group | |
|--------------------------------------|--------|--------|
| | 2019 | 2018 |
| | \$'000 | \$'000 |
| Short-term employee benefits | 7,070 | 12,307 |
| Central Provident Fund contributions | 103 | 205 |
| Share-based compensation expenses | 712 | 995 |
| Other short-term benefits | 116 | 538 |
| | 8,001 | 14,045 |
| Comprise amounts paid to: | | |
| - Directors of the Company | 4,733 | 9,972 |
| - Other key management personnel | 3,268 | 4,073 |
| | 8,001 | 14,045 |

(c) Others

| | Group | |
|---|--------|--------|
| | 2019 | 2018 |
| | \$'000 | \$'000 |
| Interests on fixed rate notes paid/payable to directors/key management personnel of the Company | 1,523 | 482 |

29. Leases

(a) Group as a lessee

The Group has entered into industrial property lease on a pre-cast yard, land lease for a Maldivian lagoon and various commercial property leases. The leases generally have lease terms between 3 and 5 years except for the lease for the lagoon which has a lease term of 45 years. Generally, the Group is restricted from subleasing the leased assets.

The Group also has certain leases with lease terms of 12 months or less and lease of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

29. Leases (cont'd)

(a) Group as a lessee (cont'd)

Set out below are the carrying amounts of right-of-use assets recognised and the movement during the period:

| | Leasehold
land
\$'000 | Leasehold
buildings
\$'000 | Total
\$'000 |
|---------------------------|-----------------------------|----------------------------------|-----------------|
| Group | | | |
| As at 1 January 2019 | 10,644 | 4,652 | 15,296 |
| Acquisition of subsidiary | – | 3,071 | 3,071 |
| Additions | – | 60,435 | 60,435 |
| Exchange differences | (131) | (382) | (513) |
| Depreciation expense | (238) | (6,444) | (6,682) |
| As at 31 December 2019 | 10,275 | 61,332 | 71,607 |

Set out below are the carrying amounts of liabilities (included under other liabilities) and the movement during the period:

| | Group
\$'000 |
|---------------------------|-----------------|
| As at 1 January 2019 | 15,296 |
| Acquisition of subsidiary | 3,129 |
| Additions | 60,435 |
| Exchange differences | (521) |
| Accretion of interest | 1,507 |
| Payments | (5,749) |
| As at 31 December 2019 | 74,097 |
| Current (Note 23) | 9,344 |
| Non-current (Note 23) | 64,753 |

The maturity analysis of lease liabilities are disclosed in Note 32(b).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

29. Leases (cont'd)

(a) Group as a lessee (cont'd)

The following are the amounts recognised in income statement:

| | Group
2019 |
|---|-----------------------|
| | \$'000 |
| Depreciation expense of right-of-use assets | 6,682 |
| Interest expenses on lease liabilities | 1,507 |
| Expenses relating to short-term leases (included in administrative expenses) | 132 |
| Expenses relating to leases of low-value assets (included in administrative expenses) | 21 |
| Variable lease payments (included in administrative expenses) | 84 |
| | <hr/> |
| Total amount recognised in income statement | 8,402 |

The Group had total cash outflows for leases of \$6,077,000 in 2019. The Group also had non-cash additions to right-of-use assets and lease liabilities of \$60,435,000 in 2019. The future cash outflows relating to leases that have not yet commenced are disclosed in Note 36.

The Group has lease contract that contains variable payments pertaining to the reimbursement of operating costs incurred by the lessor. The Group's variable lease payments constituted less than 2% of the Group's fixed rent payments.

The Group has several lease contracts that include termination and extension options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercise significant judgement in determining whether these extension and termination options are reasonably certain to be exercised (see Note 3.1).

Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term:

| | Within
five years | Group
Over
five years | Total |
|--|------------------------------|--------------------------------------|--------------|
| | \$'000 | \$'000 | \$'000 |
| Extension options expected not to be exercised | 7,888 | 50,543 | 58,431 |
| Termination options expected to be exercised | 319 | – | 319 |
| | <hr/> | <hr/> | <hr/> |
| | 8,207 | 50,543 | 58,750 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

29. Leases (cont'd)

(a) Group as a lessee (cont'd)

Prior to adoption of SFRS(I) 16, the future minimum rental payable under non-cancellable operating leases at the end of 31 December 2018 were as follows:

| | Group
2018 |
|---|-----------------------|
| | \$'000 |
| Not later than one year | 2,621 |
| Later than one year but not later than five years | 4,968 |
| Later than five years | 21,212 |
| | <u>28,801</u> |

(b) Group as a 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 5 years. Most leases have fixed rental with annual upward adjustments agreed upfront or determined by consumer price index. Certain longer term leases provide for market rent adjustments.

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

| | Group | |
|---|---------------|---------------|
| | 2019 | 2018 |
| | \$'000 | \$'000 |
| Not later than one year | 5,853 | 6,924 |
| Later than one year but not later than five years | 7,137 | 5,752 |
| Later than five years | 131 | 444 |
| | <u>13,121</u> | <u>13,120</u> |

30. Contingent liabilities

Guarantees

The Company has guaranteed the banking facilities and performance bonds of \$2,608,347,000 (2018: \$2,823,735,000) and \$51,240,000 (2018: \$51,725,000) granted to its subsidiaries and joint venture respectively. At 31 December 2019, the amounts utilised by subsidiaries and joint venture were \$1,624,022,000 (2018: \$1,927,680,000) and \$51,240,000 (2018: \$51,725,000) respectively.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

31. Fair value of assets and liabilities

(a) Fair value hierarchy

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

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

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

(b) Assets and liabilities measured at fair value

No financial assets were measured at fair value as at 31 December 2019 and 31 December 2018.

| | Fair value measurements at the end of the reporting period using | | | Total |
|--|---|--|---|---------|
| | Quoted prices in active markets for identical instruments (Level 1) | Significant observable inputs other than quoted prices (Level 2) | Significant unobservable inputs (Level 3) | |
| Group | | | | |
| 31 December 2019 | \$'000 | \$'000 | \$'000 | \$'000 |
| Non-financial assets: | | | | |
| <u>Investment properties (Note 12)</u> | | | | |
| <i>Commercial properties</i> | – | – | 305,528 | 305,528 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

31. Fair value of assets and liabilities (cont'd)

(b) Assets and liabilities measured at fair value (cont'd)

| Group | Fair value measurements at the end of the reporting period using | | | Total |
|---|---|--|---|---------|
| | Quoted prices in active markets for identical instruments (Level 1) | Significant observable inputs other than quoted prices (Level 2) | Significant unobservable inputs (Level 3) | |
| 31 December 2018 | \$'000 | \$'000 | \$'000 | \$'000 |
| Non-financial assets: | | | | |
| <u>Investment properties</u>
(Note 12) | | | | |
| <i>Commercial properties</i> | – | – | 250,617 | 250,617 |

(c) Level 3 fair value measurements

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

| Description | Fair value at 31 December 2019 | Valuation techniques | Unobservable inputs | Range |
|--|--------------------------------|-------------------------------|---|-----------------|
| | \$'000 | | | |
| Recurring fair value measurements | | | | |
| Investment properties: | | | | |
| Commercial properties in Singapore and Australia | 305,528 | Market comparable approach | Transacted price of comparable properties (psf) | \$255 - \$6,923 |
| | | Capitalisation approach | Capitalisation rate | 7.25% |
| | | Discounted cash flow approach | Discount rate
Terminal yield rate | 7.50%
7.25% |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

31. Fair value of assets and liabilities (cont'd)

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

- (i) Information about significant unobservable inputs used in Level 3 fair value measurements (cont'd)

| Description | Fair value at
31 December
2018
\$'000 | Valuation
techniques | Unobservable
inputs | Range |
|--|--|-------------------------------------|--|----------------|
| Recurring fair value measurements | | | | |
| Investment properties: | | | | |
| Commercial properties
in Singapore and
Australia | 250,617 | Market
comparable
approach | Transacted
price of
comparable
properties (psf) | \$93 - \$3,871 |
| | | Capitalisation
approach | Capitalisation
rate | 7.00% - 8.00% |
| | | Discounted
cash flow
approach | Discount rate | 8.25% |
| | | | Terminal yield rate | 6.25% |

For commercial investment properties, a significant increase/(decrease) in yield adjustments based on management's assumptions would result in a significantly lower/(higher) fair value measurement.

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

A reconciliation of the movements in Level 3 assets measured at fair value is presented in Note 12.

- (iii) Valuation policies and procedures

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

32. Financial risk management objectives and policies

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

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

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

(a) Credit risk

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

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 90 days when they fall due, which are derived based on the Group's historical information.

The Group considers "low risk" to be an investment grade credit rating with at least one major rating agency for those investments with credit rating. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forwarding-looking information which includes the following indicators:

- Internal credit rating
- External credit rating
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- Actual or expected significant changes in the operating results of the borrower
- Significant increases in credit risk on other financial instruments of the same borrower
- Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- Significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

(a) Credit risk (cont'd)

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 90 days past due in making contractual payment.

The Group determined that its financial assets are credit-impaired when:

- There is significant difficulty of the issuer or the borrower
- A breach of contract, such as a default or past due event
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation
- There is a disappearance of an active market for that financial asset because of financial difficulty

The Group categorises a loan or receivable for potential write-off when a debtor fails to make contractual payments more than 120 days past due. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans and receivables have been written off, the Group continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

Trade receivables

The Group provides for lifetime expected credit losses for all trade receivables using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to days past due.

Summarised below is the information about the credit risk exposure on the Group's trade receivables using provision matrix:

| 31 December 2019 | Current | 1 to 30
days past
due | 31 to 60
days
past due | 61 to 90
days
past due | More than
90 days
past due | Total |
|--------------------------|----------------|--------------------------------------|---------------------------------------|---------------------------------------|---|--------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Gross carrying amount | 27,989 | 2,575 | 1,779 | 523 | 1,361 | 34,227 |
| Loss allowance provision | – | – | (1) | – | (129) | (130) |
| | | | | | | |
| 31 December 2018 | Current | 1 to 30
days past
due | 31 to 60
days
past due | 61 to 90
days
past due | More than
90 days
past due | Total |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Gross carrying amount | 8,741 | – | 554 | 255 | 2,372 | 11,922 |
| Loss allowance provision | (359) | – | – | – | (2,212) | (2,571) |

Information regarding loss allowance movement of trade receivables are disclosed in Note 17.

During the financial year, the Group written-off \$2,437,000 (2018: \$12,000) of trade receivables which are more than 120 days past due as the Group does not expect to receive future cash flows from and there are no recoveries from collection of cash flows previously written off.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

(a) Credit risk (cont'd)

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 and joint venture (Note 30).

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 | | | |
|--------------------------------|----------------|------------|---------------|------------|
| | 2019 | | 2018 | |
| | \$'000 | % of total | \$'000 | % of total |
| By country: | | | | |
| Singapore | 122,558 | 100 | 74,040 | 99 |
| Other countries | 631 | # | 540 | 1 |
| | 123,189 | 100 | 74,580 | 100 |
| By industry sector: | | | | |
| Construction | 37,376 | 30 | 14,400 | 19 |
| Property development | 82,563 | 67 | 58,673 | 79 |
| Hospitality | 1,470 | 1 | 692 | 1 |
| Education | 1,751 | 2 | 336 | # |
| Property investment and others | 29 | # | 479 | 1 |
| | 123,189 | 100 | 74,580 | 100 |

Less than 1%

At the end of the reporting period, approximately 22% (2018: 17%) of the Group's trade receivables were due from 3 major customers who are located in Singapore.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

32. 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 standby credit facilities.

At the end of the reporting period, approximately 13% (2018: 7%) 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 twelve months can be rolled over with existing lenders.

Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the end of the reporting period based on contractual undiscounted payments:

| | Group | | | Total |
|---|------------------|-------------------|-----------------|-----------|
| | One year or less | One to five years | Over five years | |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| 31 December 2019 | | | | |
| Trade and other payables | 90,959 | 177,587 | – | 268,546 |
| Lease liabilities | 12,273 | 40,110 | 43,497 | 95,880 |
| Other liabilities (excluding lease liabilities) | 93,552 | 56 | – | 93,608 |
| Loans and borrowings | 283,326 | 1,479,989 | 234,511 | 1,997,826 |
| Total undiscounted financial liabilities | 480,110 | 1,697,742 | 278,008 | 2,455,860 |
| 31 December 2018 | | | | |
| Trade and other payables | 63,867 | 165,301 | – | 229,168 |
| Other liabilities | 48,430 | 36 | – | 48,466 |
| Loans and borrowings | 180,984 | 1,596,658 | 240,420 | 2,018,062 |
| Total undiscounted financial liabilities | 293,281 | 1,761,995 | 240,420 | 2,295,696 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

(b) Liquidity risk (cont'd)

| | Company | | | Total |
|---|---------------------|----------------------|--------------------|---------|
| | One year
or less | One to five
years | Over five
years | |
| 31 December 2019 | \$'000 | \$'000 | \$'000 | \$'000 |
| Trade and other payables | 25,024 | 265,529 | – | 290,553 |
| Lease liabilities | 1,968 | 594 | – | 2,562 |
| Other liabilities (excluding lease liabilities) | 3,593 | – | – | 3,593 |
| Loans and borrowings | 1,855 | 40,243 | – | 42,098 |
| Total undiscounted financial liabilities | 32,440 | 306,366 | – | 338,806 |
| 31 December 2018 | | | | |
| Trade and other payables | 5,605 | 203,793 | – | 209,398 |
| Other liabilities | 7,414 | – | – | 7,414 |
| Loans and borrowings | 1,855 | 42,089 | – | 43,944 |
| Total undiscounted financial liabilities | 14,874 | 245,882 | – | 260,756 |

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

| | Company | | | Total |
|-------------------------|---------------------|----------------------|--------------------|-----------|
| | One year
or less | One to
five years | Over five
years | |
| 31 December 2019 | \$'000 | \$'000 | \$'000 | \$'000 |
| Financial guarantees | 320,165 | 1,173,565 | 181,532 | 1,675,262 |
| 31 December 2018 | | | | |
| Financial guarantees | 203,153 | 1,767,849 | 8,403 | 1,979,405 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings and interest-bearing loans given to subsidiaries (Note 17).

The interest rate for loan and borrowings are based on floating rate except for an amount of \$138 million term notes which was on a fixed rate (Note 21).

Sensitivity analysis for interest rate risk

At the end of the reporting period, if SGD interest rates had been 75 basis points ('bps') (2018: 75 bps) lower/higher with all other variables held constant, the Group's profit before tax would have been \$12,451,000 (2018: \$13,297,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings.

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

(d) Foreign currency risk

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

(d) Foreign currency risk (cont'd)

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 NZD, USD and VND exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

| | Group | |
|------------------------------|-------------------|--------|
| | Profit before tax | |
| | 2019 | 2018 |
| | \$'000 | \$'000 |
| NZD | | |
| - strengthened 3% (2018: 3%) | 841 | 849 |
| - weakened 3% (2018: 3%) | (841) | (849) |
| USD | | |
| - strengthened 3% (2018: 3%) | 636 | 115 |
| - weakened 3% (2018: 3%) | (636) | (115) |
| VND | | |
| - strengthened 3% (2018: 3%) | 272 | 272 |
| - weakened 3% (2018: 3%) | (272) | (272) |

33. Capital management

Capital includes debt and equity items as disclosed in the table below.

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 2019 and 2018.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

33. Capital management (cont'd)

| | Group | |
|--|----------------|----------------|
| | 2019
\$'000 | 2018
\$'000 |
| Loans and borrowings (Note 21) | 1,798,344 | 1,811,133 |
| Less: | | |
| Cash and short-term deposits (Note 20) | (378,487) | (342,558) |
| Net debt | 1,419,857 | 1,468,575 |
| Total equity | 947,271 | 874,055 |
| Net debt-equity ratio (times) | 1.50 | 1.68 |

34. Segment information

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

- (a) The construction segment is in the business of general building, infrastructure and civil engineering contractors.
- (b) The property development segment is in the business of developing properties and management of development projects.
- (c) The property investment segment is in the business of leasing and management of investment properties.
- (d) The hospitality segment is in the business of hotel operations.
- (e) The education segment is in the business of providing education services.
- (f) The corporate and others segment is involved in Group-level corporate services, treasury functions and investments in marketable securities (if any).

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.

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

For the financial year ended 31 December 2019

34. Segment information (cont'd)

| Year ended 31 December 2019 | Construction | Property development | Property investment | Hospitality | Education | Corporate and others | Total |
|---|--------------|----------------------|---------------------|-------------|-----------|----------------------|-----------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Revenue: | | | | | | | |
| Total segment sales | 261,411 | 801,086 | 9,826 | 80,126 | 15,902 | 6,555 | 1,174,906 |
| Intersegment sales | (97,006) | (9,135) | (2,545) | (1,945) | (2,091) | (6,545) | (119,267) |
| Sales to external customers | 164,405 | 791,951 | 7,281 | 78,181 | 13,811 | 10 | 1,055,639 |
| Interest income | 901 | 4,786 | 50 | 39 | 280 | 864 | 6,920 |
| Finance costs | (422) | (43,428) | (4,911) | (6,500) | (2,176) | (1,453) | (58,890) |
| Depreciation and amortisation | (3,615) | (506) | (199) | (13,167) | (7,540) | (599) | (25,626) |
| Share of results of associates | – | 159 | 3,152 | – | 912 | 386 | 4,609 |
| Net fair value gain on investment properties | – | – | 2,766 | – | – | – | 2,766 |
| Other non-cash items: | | | | | | | |
| Share-based compensation expenses | – | – | – | – | – | (712) | (712) |
| Provision for onerous contract | (1,000) | – | – | – | – | – | (1,000) |
| Impairment on property, plant and equipment and intangible assets | – | – | (315) | (4,268) | – | – | (4,583) |
| Segment profit/(loss) | 26 | 55,742 | 6,429 | 1,616 | (15,563) | (4,193) | 44,057 |
| Assets and liabilities: | | | | | | | |
| Investment in joint venture | – | – | 6,538 | – | – | – | 6,538 |
| Investments in associates | – | 353 | – | – | 20,149 | 5,731 | 26,233 |
| Additions to non-current assets: | | | | | | | |
| - property, plant and equipment | 9,550 | 692 | – | 16,711 | 106,822 | 1,016 | 134,791 |
| - intangible assets | 11,241 | – | – | – | 15,768 | – | 27,009 |
| Segment assets | 213,509 | 2,089,995 | 357,116 | 348,502 | 177,562 | 67,162 | 3,253,846 |
| Segment liabilities | 149,012 | 1,662,981 | 139,514 | 202,958 | 115,339 | 36,771 | 2,306,575 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

34. Segment information (cont'd)

| Year ended 31 December 2018 | Construction | Property development | Property investment | Hospitality | Education | Corporate and others | Total |
|---|--------------|----------------------|---------------------|-------------|-----------|----------------------|-----------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Revenue: | | | | | | | |
| Total segment sales | 264,175 | 849,557 | 9,934 | 71,653 | 2,599 | 11,919 | 1,209,837 |
| Intersegment sales | (94,325) | (20,919) | (2,450) | – | – | (11,909) | (129,603) |
| Sales to external customers | 169,850 | 828,638 | 7,484 | 71,653 | 2,599 | 10 | 1,080,234 |
| Interest income | 601 | 4,348 | 145 | 55 | 88 | 376 | 5,613 |
| Finance costs | – | (27,310) | (6,054) | (11,452) | (1,015) | (4,542) | (50,373) |
| Depreciation and amortisation | (4,520) | (452) | (105) | (12,877) | (219) | (798) | (18,971) |
| Share of results of associates | – | (60) | 3,542 | – | – | 1,446 | 4,928 |
| Net fair value loss on investment properties | – | – | (1,042) | – | – | – | (1,042) |
| Other non-cash items: | | | | | | | |
| Share-based compensation expenses | – | – | – | – | – | (995) | (995) |
| Provision for onerous contract | (7,500) | – | – | – | – | – | (7,500) |
| Impairment on property, plant and equipment and intangible assets | (4,725) | – | – | (1,210) | – | – | (5,935) |
| Segment (loss)/profit | (10,585) | 129,867 | 797 | (9,475) | (4,059) | (8,501) | 98,044 |
| Assets and liabilities: | | | | | | | |
| Investment in joint venture | – | – | 3,392 | – | – | – | 3,392 |
| Investments in associates | – | 490 | – | – | – | 5,615 | 6,105 |
| Additions to non-current assets: | | | | | | | |
| - property, plant and equipment | 2,023 | 177 | 5 | 47,211 | 1,242 | 591 | 51,249 |
| - investment properties | – | – | 12,819 | – | – | – | 12,819 |
| - intangible assets | – | – | – | 1,001 | 15,804 | 195 | 17,000 |
| Segment assets | 111,978 | 2,227,671 | 318,362 | 348,423 | 30,365 | 49,741 | 3,086,540 |
| Segment liabilities | 83,503 | 1,608,157 | 110,875 | 378,153 | 8,058 | 23,739 | 2,212,485 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

34. Segment information (cont'd)

Geographical information

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

| | Revenue | | Non-current assets | |
|-----------|------------------|------------------|--------------------|----------------|
| | 2019 | 2018 | 2019 | 2018 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Singapore | 996,894 | 880,715 | 572,950 | 472,500 |
| Australia | 23,983 | 169,983 | 64,477 | 67,423 |
| Maldives | 33,866 | 29,390 | 91,586 | 86,271 |
| Malaysia | 896 | 146 | 34,675 | 5,321 |
| Hong Kong | – | – | 51,580 | – |
| Others | – | – | 44 | – |
| | <u>1,055,639</u> | <u>1,080,234</u> | <u>815,312</u> | <u>631,515</u> |

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 amounted to \$141,716,000 (2018: \$167,520,000), arising from revenue generated by the construction segment.

35. Dividends

| | Company | |
|--|---------------|---------------|
| | 2019 | 2018 |
| | \$'000 | \$'000 |
| Declared and paid during the financial year: | | |
| <i>Dividends on ordinary shares:</i> | | |
| - First and final tax-exempt (one-tier) dividend for 2018: 4.0 cents (2017: 4.0 cents) per share | <u>25,041</u> | <u>24,841</u> |
| | | |
| | | |
| Proposed but not recognised as a liability as at 31 December: | | |
| <i>Dividends on ordinary shares, subject to shareholders' approval at the AGM:</i> | | |
| - First and final tax-exempt (one-tier) dividend for 2019: 4.0 cents (2018: 4.0 cents) per share | <u>31,301</u> | <u>25,041</u> |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

36. Commitments

Committed lease contracts

The Group has entered into various lease contracts that have not yet commenced as at 31 December 2019. The future lease payments for these non-cancellable lease contracts are \$775,000 within 1 year, \$11,829,000 within 2 to 5 years and \$18,600,000 thereafter.

37. Events occurring after the reporting period

(i) Acquisition of a Maldivian lagoon

On 27 December 2019, the Company's subsidiary, Samarafushi Pvt Ltd ("Samarafushi") has entered into a sale and purchase agreement with the current lessee (an affiliate of the 30% shareholder of CES Tropical (Maldives) Pte. Ltd. ["SG JVCo"]) for the acquisition of the remaining leasehold interest in a lagoon in the Maldives. Samarafushi is a wholly-owned subsidiary of the SG JVCo and the SG JVCo is in turn a 70%-owned joint venture of the Company's wholly-owned subsidiary, CES Hotels (Maldives) Pte. Ltd. The acquisition was completed on 7 January 2020 at a consideration of US\$8.1 million. It is intended that the lagoon, which is located in North Male Atoll, will be developed into a five-star resort and this will be the Company's second hospitality venture in the Maldives.

(ii) Subscription of convertible loan

On 10 January 2020, the Group's subsidiary, CES Edutech Pte. Ltd. ("CESE"), had disbursed a sum of US\$4.95 million pursuant to a convertible loan agreement with Cybint International Pte. Ltd. ("CIPL"), Cybint Solutions Ltd. and Mr. Roy Moshe Zur. Upon full conversion of the convertible loan, CESE will hold an interest of 33.33% in CIPL and its subsidiaries ("Cybint Group"). The Cybint Group is in the business of providing innovative education and training solutions and services in cybersecurity for all levels of expertise.

The loan is convertible for up to 12 months from the disbursement date. Should the conversion not take place, the loan shall be repaid in full to the Group within 36 months from the final conversion date at an interest rate of 8% p.a.

(iii) Loan agreement entered into with Duowei

On 17 March 2020, the Group's subsidiary, CES Education (China) Pte. Ltd. ("CESEC"), had entered into a loan agreement with Dongguan Duowei Education Technology Co., Ltd. ("Duowei") for the provision of a S\$4.9 million loan to Duowei. The disbursement of the loan is subject to fulfilment of certain conditions in the loan agreement. The provision of the loan is part of a larger potential investment which the Company is currently exploring with Duowei. Duowei has a 10-year track record in operating in a business of owning and operating tuition centres in Dongguan.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

37. Events occurring after the reporting period (cont'd)

(iv) Acquisition of leasehold property

On 18 March 2020, the Company's subsidiary, CES-Precast Pte. Ltd. ("CESP") has been granted an option to acquire the remaining unexpired lease in a leasehold property, together with machinery and fittings specified in the option at a purchase consideration of S\$25 million. The acquisition presents an opportunity for the Company to acquire an industrial building in Singapore for refurbishment into a facility capable of producing pre-cast and prefabricated prefinished volumetric construction building components. The option is exercisable in June 2020 and the completion of the acquisition is subject to fulfilment of certain conditions.

(v) Impact arising from COVID-19 pandemic outbreak

With widespread concerns about the ongoing COVID-2019 pandemic outbreak, the global economy is expected to be adversely impacted subsequent to the year ended 31 December 2019. This may affect the financial performance of the Group as well as on the recoverable amount of the hotel assets after the reporting period. As the COVID-19 situation is still evolving, there is a significant degree of uncertainty over the length and severity of the outbreak. Therefore, the estimate of the financial impact cannot be reasonably determined at this juncture.

38. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the Directors on 20 March 2020.

STATISTICS OF SHAREHOLDINGS

As At 16 March 2020

SHARE CAPITAL

| | | |
|--|---|-------------------------|
| Issued and fully paid-up capital | : | S\$178,287,924.10 |
| No. of Issued Shares | : | 824,018,676 |
| No. of Issued Shares (excluding Treasury Shares) | : | 783,017,576 |
| No./Percentage of Treasury Shares | : | 41,001,100 (4.98%) |
| Class of Shares | : | Ordinary share |
| Voting Rights (excluding Treasury Shares) | : | One vote for each share |

The Company does not hold any subsidiary holdings.

DISTRIBUTION OF SHAREHOLDINGS

| SIZE OF SHAREHOLDINGS | NO. OF SHAREHOLDERS | % | NO. OF SHARES | % |
|-----------------------|---------------------|---------------|--------------------|---------------|
| 1 - 99 | 19 | 0.25 | 378 | 0.00 |
| 100 - 1,000 | 467 | 6.21 | 418,889 | 0.05 |
| 1,001 - 10,000 | 3,678 | 48.94 | 21,651,777 | 2.77 |
| 10,001 - 1,000,000 | 3,319 | 44.17 | 183,512,496 | 23.44 |
| 1,000,001 AND ABOVE | 32 | 0.43 | 577,434,036 | 73.74 |
| TOTAL | 7,515 | 100.00 | 783,017,576 | 100.00 |

| Substantial Shareholders | Direct Interest | % | Deemed Interest | % |
|----------------------------|-----------------|-------|-----------------|---|
| Celine Tang <sup>(1)</sup> | 284,454,903 | 36.33 | - | - |

Note:

(1) Celine Tang and Gordan Tang are jointly holding 284,454,903 shares.

STATISTICS OF SHAREHOLDINGS

As At 16 March 2020

TWENTY LARGEST SHAREHOLDERS

| NO. | NAME | NO. OF SHARES | % |
|--------------|---|--------------------|--------------|
| 1 | CITIBANK NOMINEES SINGAPORE PTE LTD | 227,340,281 | 29.03 |
| 2 | RAFFLES NOMINEES (PTE.) LIMITED | 68,396,907 | 8.74 |
| 3 | DB NOMINEES (SINGAPORE) PTE LTD | 63,630,150 | 8.13 |
| 4 | DBS NOMINEES (PRIVATE) LIMITED | 35,685,431 | 4.56 |
| 5 | MAYBANK KIM ENG SECURITIES PTE. LTD. | 21,756,475 | 2.78 |
| 6 | LIM LING KWEE | 17,100,625 | 2.18 |
| 7 | HSBC (SINGAPORE) NOMINEES PTE LTD | 17,019,375 | 2.17 |
| 8 | KENYON PTE LTD | 14,044,625 | 1.79 |
| 9 | UOB KAY HIAN PRIVATE LIMITED | 13,148,950 | 1.68 |
| 10 | TAN KOK SING | 12,289,200 | 1.57 |
| 11 | LIM SOCK JOO | 12,127,500 | 1.55 |
| 12 | UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED | 8,957,730 | 1.14 |
| 13 | OCBC SECURITIES PRIVATE LIMITED | 8,324,250 | 1.06 |
| 14 | SIMMIC INVESTMENTS PTE LTD | 7,123,700 | 0.91 |
| 15 | PHILLIP SECURITIES PTE LTD | 6,712,600 | 0.86 |
| 16 | SIM YOK KEE @SIM GUEK HIANG | 4,530,000 | 0.58 |
| 17 | HAI SIA SEAFOOD PTE LTD | 4,476,200 | 0.57 |
| 18 | CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD. | 4,461,816 | 0.57 |
| 19 | LIM GUAN PHENG | 4,150,000 | 0.53 |
| 20 | DBSN SERVICES PTE. LTD. | 3,858,592 | 0.49 |
| TOTAL | | 555,134,407 | 70.89 |

PERCENTAGE OF SHAREHOLDINGS IN PUBLIC'S HANDS

Approximately 60.26% 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.

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