UNITED ENGINEERS LIMITED
(Company Registration No. 191200018G)

Q2 2018 Financial Statement Announcement

Part I – INFORMATION REQUIRED FOR ANNOUNCEMENT OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a)(i) Income statement for the second quarter ended

	Group					
	3 months ended			6 months ended		
	30/6/2018	30/6/2017 (Restated)[1]	Change	**30/6/2018**	30/6/2017 (Restated)[1]	Change
	$000	$000	(%)	**$000**	$000	(%)
Revenue	**96,188**	124,742	(23)	**201,436**	230,847	(13)
Cost of sales	**(53,142)**	(77,284)	(31)	**(112,183)**	(138,267)	(19)
Gross profit	**43,046**	47,458	(9)	**89,253**	92,580	(4)
Other items of income						
Interest income	**1,276**	774	65	**2,144**	1,621	32
Other income	**1,569**	46,058	(97)	**2,008**	46,945	(96)
Other items of expense						
Distribution costs	**(5,754)**	(7,696)	(25)	**(12,133)**	(14,750)	(18)
Administrative expenses	**(22,106)**	(26,416)	(16)	**(45,405)**	(49,136)	(8)
Finance costs	**(5,736)**	(5,311)	8	**(11,177)**	(11,688)	(4)
Other expenses	**(611)**	(9,108)	(93)	**(1,546)**	(11,166)	(86)
Operating profit	**11,684**	45,759	(74)	**23,144**	54,406	(57)
Share of profit from equity-accounted associates and joint ventures	**1,422**	1,679	(15)	**2,362**	2,232	6
Profit before tax	**13,106**	47,438	(72)	**25,506**	56,638	(55)
Income tax expense	**(1,686)**	(5,865)	(71)	**(4,884)**	(7,493)	(35)
Profit net of tax	**11,420**	41,573	(73)	**20,622**	49,145	(58)
Profit/(loss) attributable to:						
Owners of the Company	**11,006**	45,380	(76)	**20,008**	54,095	(63)
Non-controlling interests	**414**	(3,807)	NM	**614**	(4,950)	NM
	11,420	41,573	(73)	**20,622**	49,145	(58)

NM: Not meaningful

(1) The 2017 comparative figures have been restated to take into account the retrospective adjustments arising from the adoption of the new financial reporting framework, Singapore Financial Reporting Standards (International) ("SFRS(I)") as detailed in paragraph 5 of this announcement.

1(a)(ii) Other information

	Group			
	3 months ended		**6 months ended**	
	30/6/2018	30/6/2017	**30/6/2018**	30/6/2017
	\$000	\$000	**\$000**	\$000
Depreciation and amortisation	**(3,476)**	(4,661)	**(7,033)**	(9,241)
Foreign exchange gain/(loss)	**209**	69	**303**	(601)
Gain/(loss) on disposal of property, plant and equipment	**47**	(8)	**9**	(22)
(Impairment loss)/reversal of impairment loss on trade receivables	**(55)**	513	**(282)**	100
Inventories written-down	**(234)**	(113)	**(126)**	(118)
Over/(under) provision of prior years' tax	**438**	47	**(518)**	(150)
Properties held for sale written-down	**–**	(8,902)	**–**	(8,902)
Surplus on revaluation of investment properties	**–**	45,400	**–**	45,400

1(a)(iii) Statement of comprehensive income

	Group			
	3 months ended		**6 months ended**	
	30/6/2018	30/6/2017 (Restated)[1]	**30/6/2018**	30/6/2017 (Restated)[1]
	\$000	\$000	**\$000**	\$000
Profit net of tax for the period	**11,420**	41,573	**20,622**	49,145
Other comprehensive income				
Items that will not be reclassified to income statement:				
Financial assets, at fair value through other comprehensive income (FVOCI)				
- Fair value changes during the period	**(297)**	–	**(1,782)**	–
Items that may be reclassified subsequently to income statement:				
(Losses)/gains on exchange differences on translation, net of tax	**(3,375)**	2,742	**3,771**	(11,480)
Gains on remeasuring available-for-sale financial assets, net of tax	**–**	2,821	**–**	4,009
Share of other comprehensive income from equity-accounted associates, net of tax	**108**	(785)	**502**	(433)
	(3,267)	4,778	**4,273**	(7,904)
Other comprehensive income for the period, net of tax	**(3,564)**	4,778	**2,491**	(7,904)
Total comprehensive income for the period	**7,856**	46,351	**23,113**	41,241
Attributable to:				
Owners of the Company	**8,681**	49,456	**21,854**	49,865
Non-controlling interests	**(825)**	(3,105)	**1,259**	(8,624)
	7,856	46,351	**23,113**	41,241

1(b)(i) Statements of financial position

	Group			Company	
	30/6/2018	31/12/2017 (Restated)[1]	01/01/2017 (Restated)[1]	**30/6/2018**	31/12/2017
	$000	$000	$000	**$000**	$000
ASSETS					
Non-current assets					
Property, plant and equipment	**146,172**	148,277	162,909	**21,504**	22,094
Investment properties	**1,909,556**	1,908,627	1,859,418	**722,521**	722,400
Intangible assets	**–**	–	4,704	**–**	–
Investments in subsidiaries	**–**	–	–	**872,264**	968,731
Investments in associates	**117,964**	114,944	112,619	**315**	325
Investments in joint ventures	**48,118**	47,938	45,478	**–**	–
Deferred tax assets	**25,326**	29,263	46,162	**–**	–
Other investments	**28,491**	30,375	25,069	**1,197**	1,197
Total non-current assets	**2,275,627**	2,279,424	2,256,359	**1,617,801**	1,714,747
Current assets					
Inventories	**25,297**	27,163	31,146	**–**	–
Income tax receivables	**443**	346	352	**–**	–
Trade and other receivables	**79,717**	90,938	230,958	**2,192**	2,640
Prepayments	**8,898**	8,929	8,131	**783**	867
Properties held for sale	**557,701**	557,247	656,661	**–**	–
Bank balances and deposits	**340,854**	384,711	623,976	**162,111**	117,919
Total current assets	**1,012,910**	1,069,334	1,551,224	**165,086**	121,426
Total assets	**3,288,537**	3,348,758	3,807,583	**1,782,887**	1,836,173
EQUITY AND LIABILITIES					
Equity					
Share capital	**745,717[2]**	745,717[2]	745,625[2]	**808,030**	808,030
Retained earnings	**1,153,841**	1,158,499	1,138,060	**798,017**	785,789
Other reserves	**3,910**	(2,782)	1,319	**(33)**	(33)
Equity attributable to owners of the company	**1,903,468**	1,901,434	1,885,004	**1,606,014**	1,593,786
Non-controlling interests	**293,556**	306,136	311,885	**–**	–
Total equity	**2,197,024**	2,207,570	2,196,889	**1,606,014**	1,593,786
Non-current liabilities					
Provisions	**43,843**	46,779	70,204	**–**	–
Deferred tax liabilities	**53,332**	56,986	75,188	**–**	–
Trade and other payables	**2,008**	3,616	4,300	**–**	–
Borrowings	**745,823**	746,109	896,720	**150,000**	150,000
Total non-current liabilities	**845,006**	853,490	1,046,412	**150,000**	150,000
Current liabilities					
Provisions	**10,188**	12,967	17,005	**–**	–
Income tax payable	**38,415**	43,079	31,679	**4,821**	4,635
Trade and other payables	**124,407**	146,740	220,870	**22,052**	84,052
Borrowings	**73,497**	84,912	294,728	**–**	3,700
Total current liabilities	**246,507**	287,698	564,282	**26,873**	92,387
Total liabilities	**1,091,513**	1,141,188	1,610,694	**176,873**	242,387
Total equity and liabilities	**3,288,537**	3,348,758	3,807,583	**1,782,887**	1,836,173

(2) This excludes 21,712,000 stock units held by a subsidiary.

1(b)(ii) Comparative figures of the Group's borrowings and debt securities

(a) Amount repayable in one year or less, or on demand

As at 30/6/2018		As at 31/12/2017	
$000	$000	$000	$000
Secured	Unsecured	Secured	Unsecured
66,996	6,501	72,619	12,293

(b) Amount repayable after one year

As at 30/6/2018		As at 31/12/2017	
$000	$000	$000	$000
Secured	Unsecured	Secured	Unsecured
595,823	150,000	596,109	150,000

(c) Details of any collaterals

The borrowings are generally secured on certain investment properties and properties held for sale and/or by fixed and floating charges over certain assets of certain subsidiaries.

1(c) Statement of cash flows

	Group			
	3 months ended		6 months ended	
	30/6/2018	30/6/2017 (Restated)(1)	**30/6/2018**	30/6/2017 (Restated)(1)
	$000	$000	**$000**	$000
Cash flows from operating activities				
Profit before tax	**13,106**	47,438	**25,506**	56,638
Amortisation of intangible assets	**–**	493	**–**	950
Depreciation of property, plant and equipment	**3,476**	4,168	**7,033**	8,291
Dividend income from other investments	**–**	(550)	**(552)**	(857)
Finance costs	**5,736**	5,311	**11,177**	11,688
(Gain)/loss on disposal of property, plant and equipment	**(47)**	8	**(9)**	22
Impairment loss on intangible assets	**–**	–	**–**	73
Impairment loss on investment in associate	**–**	–	**337**	–
Interest income	**(1,276)**	(774)	**(2,144)**	(1,621)
Inventories written-down	**234**	113	**126**	118
Properties held for sale written-down	**–**	8,902	**–**	8,902
Property, plant and equipment written-off	**–**	53	**83**	55
Share of profit from equity-accounted associates and joint ventures	**(1,422)**	(1,679)	**(2,362)**	(2,232)
Surplus on revaluation of investment properties	**–**	(45,400)	**–**	(45,400)
Unrealised foreign exchange loss/(gain)	**501**	(1,763)	**(1,108)**	3,136
Operating cash flows before changes in working capital	**20,308**	16,320	**38,087**	39,763
Decrease in inventories	**2,237**	4,576	**1,739**	1,887
Decrease in trade and other payables and provisions	**(16,573)**	(18,470)	**(29,033)**	(24,817)
Decrease/(increase) in trade and other receivables	**1,936**	(2,112)	**6,692**	117,711
(Increase)/decrease in properties held for sale	**(2,455)**	18,054	**3,294**	20,348
Cash flows from operations	**5,453**	18,368	**20,779**	154,892
Income taxes paid	**(5,299)**	(5,171)	**(9,033)**	(6,479)
Interest paid	**(9,096)**	(6,253)	**(11,422)**	(15,187)
Interest received	**1,225**	724	**2,102**	2,273
Net cash flows (used in)/from operating activities	**(7,717)**	7,668	**2,426**	135,499

1(c) Statement of cash flows (*continued)*

	Group			
	3 months ended		**6 months ended**	
	30/6/2018	30/6/2017 (Restated)(1)	**30/6/2018**	30/6/2017 (Restated)(1)
	$000	$000	**$000**	$000
Cash flows from investing activities				
Acquisition of intangible assets	**–**	(320)	**–**	(1,053)
Distribution from dissolution of other investments	**–**	–	**102**	–
Dividends received from associates	**1**	465	**107**	1,254
Dividends received from other investments	**–**	550	**552**	857
Decrease in amounts due from associates and joint ventures	**55**	47	**154**	147
Acquisition of interests in an associate	**–**	(331)	**–**	(331)
Proceeds from disposal of property, plant and equipment	**224**	60	**279**	70
Proceeds from settlement of outstanding consideration	**–**	–	**4,584**	–
Purchase of property, plant and equipment	**(2,859)**	(3,671)	**(5,981)**	(5,719)
Subsequent expenditure on investment properties	**(281)**	(3,754)	**(902)**	(3,787)
Net cash flows used in investing activities	**(2,860)**	(6,954)	**(1,105)**	(8,562)
Cash flows from financing activities				
Acquisition of non-controlling interests	**(9,003)**	–	**(9,003)**	–
Decrease in short-term loans	**(1,492)**	(3,321)	**(3,485)**	(9,021)
Decrease in trust receipts and bills payable	**(1,577)**	(1,144)	**(2,092)**	(853)
Distribution to shareholders from liquidation of a joint venture	**–**	–	**22**	–
Cash distribution paid to non-controlling interests of subsidiaries	**–**	–	**–**	(206)
Dividends paid	**(24,698)**	(73,961)	**(24,698)**	(73,961)
Proceeds from issuance of shares upon exercise of share options	**–**	–	**–**	76
Proceeds from long-term loans	**–**	185,756	**275**	185,756
Repayment of medium term notes	**–**	–	**–**	(246,773)
Repayment of long-term loans	**(6,702)**	(277,686)	**(6,900)**	(277,686)
Net cash flows used in financing activities	**(43,472)**	(170,356)	**(45,881)**	(422,668)
Net decrease in cash and cash equivalents	**(54,049)**	(169,642)	**(44,560)**	(295,731)
Cash and cash equivalents, beginning balance	**395,466**	495,995	**384,711**	623,976
Effect of exchange rate changes on cash and cash equivalents	**(563)**	690	**703**	(1,202)
Cash and cash equivalents, ending balance	**340,854**	327,043	**340,854**	327,043
Cash and cash equivalents comprise:				
Bank balances and deposits	**340,854**	334,692	**340,854**	334,692
Bank overdrafts	**–**	(7,649)	**–**	(7,649)
Cash and cash equivalents	**340,854**	327,043	**340,854**	327,043

1(d)(i) Statements of changes in equity

GROUP

	Total equity	Equity attributable to owners of the Company	Share capital	Treasury shares	Retained earnings	Other reserves	Non-controlling interests
		Attributable to owners of the Company					
	$000	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
Opening balance at 1/1/2018, as previously reported	2,207,570	1,901,434	808,030	(62,313)	1,190,312	(34,595)	306,136
Effect of adopting SFRS(I)	–	–	–	–	(31,813)	31,813	–
Opening balance at 1/1/2018, restated	2,207,570	1,901,434	808,030	(62,313)	1,158,499	(2,782)	306,136
Profit for the period	9,202	9,002	–	–	9,002	–	200
Gains on exchange differences on translation, net of tax	7,146	5,262	–	–	–	5,262	1,884
Financial assets, at FVOCI							
- Fair value changes arising during the period	(1,485)	(1,485)	–	–	–	(1,485)	–
Share of other comprehensive income from equity-accounted associate, net of tax	394	394	–	–	–	394	–
Other comprehensive income for the period	6,055	4,171	–	–	–	4,171	1,884
Total comprehensive income for the period	15,257	13,173	–	–	9,002	4,171	2,084
Others							
Transfer of reserve upon dissolution of other investments	–	(15)	–	–	32	(47)	15
Total others	–	(15)	–	–	32	(47)	15
Closing balance at 31/3/2018	2,222,827	1,914,592	808,030	(62,313)	1,167,533	1,342	308,235
Profit for the period	11,420	11,006	–	–	11,006	–	414
Losses on exchange differences on translation, net of tax	(3,375)	(2,136)	–	–	–	(2,136)	(1,239)
Financial assets, at FVOCI							
- Fair value changes arising during the period	(297)	(297)	–	–	–	(297)	–
Share of other comprehensive income from equity-accounted associate, net of tax	108	108	–	–	–	108	–
Other comprehensive income for the period	(3,564)	(2,325)	–	–	–	(2,325)	(1,239)
Total comprehensive income for the period	7,856	8,681	–	–	11,006	(2,325)	(825)
Contributions by and distributions to owners							
Dividends paid	(24,698)	(24,698)	–	–	(24,698)	–	–
Total contributions by and distributions to owners	(24,698)	(24,698)	–	–	(24,698)	–	–
Changes in ownership interests in subsidiaries							
Acquisition of non-controlling interests without a change in control	(9,003)	4,851	–	–	–	4,851	(13,854)
Total Changes in ownership interests in subsidiaries	(9,003)	4,851	–	–	–	4,851	(13,854)
Total transactions with owners in their capacity as owners	(33,701)	(19,847)	–	–	(24,698)	4,851	(13,854)
Others							
Share of share option reserve from equity-accounted associates	42	42	–	–	–	42	–
Total others	42	42	–	–	–	42	–
Closing balance at 30/6/2018	2,197,024	1,903,468	808,030	(62,313)	1,153,841	3,910	293,556

1(d)(i) Statements of changes in equity *(continued)*

GROUP

	Total equity	Equity attributable to owners of the Company	Share capital	Treasury shares	Retained earnings	Other reserves	Non-controlling interests
		Attributable to owners of the Company					
	$000	$000	$000	$000	$000	$000	$000
Opening balance at 1/1/2017, as previously reported	2,194,892	1,883,007	807,938	(62,313)	1,167,482	(30,100)	311,885
Effect of adopting SFRS(I)	1,997	1,997	–	–	(29,422)	31,419	–
Opening balance at 1/1/2017, restated	2,196,889	1,885,004	807,938	(62,313)	1,138,060	1,319	311,885
Profit/(loss) for the period	7,176	8,319	–	–	8,319	–	(1,143)
Losses on exchange differences on translation, net of tax	(14,222)	(9,846)	–	–	–	(9,846)	(4,376)
Gains on remeasuring available-for-sale financial assets, net of tax	1,188	1,188	–	–	–	1,188	–
Share of other comprehensive income from equity-accounted associate, net of tax	352	352	–	–	–	352	–
Other comprehensive income for the period	(12,682)	(8,306)	–	–	–	(8,306)	(4,376)
Total comprehensive income for the period	(5,506)	13	–	–	8,319	(8,306)	(5,519)
Contributions by and distributions to owners							
Ordinary shares issued on exercise of share options converted into ordinary stocks	76	76	76	–	–	–	–
Final cash distribution paid to non-controlling interests of a subsidiary	(206)	–	–	–	–	–	(206)
Total transactions with owners in their capacity as owners	(130)	76	76	–	–	–	(206)
Others							
Share of share option reserve from equity-accounted associates	21	21	–	–	–	21	–
Total others	21	21	–	–	–	21	–
Closing balance at 31/3/2017	2,191,274	1,885,114	808,014	(62,313)	1,146,379	(6,966)	306,160
Profit/(loss) for the period	41,573	45,380	–	–	45,380	–	(3,807)
Gains on exchange differences on translation, net of tax	2,742	2,040	–	–	–	2,040	702
Gains on remeasuring available-for-sale financial assets, net of tax	2,821	2,821	–	–	–	2,821	–
Share of other comprehensive income from equity-accounted associate, net of tax	(785)	(785)	–	–	–	(785)	–
Other comprehensive income for the period	4,778	4,076	–	–	–	4,076	702
Total comprehensive income for the period	46,351	49,456	–	–	45,380	4,076	(3,105)
Contributions by and distributions to owners							
Dividends paid	(73,961)	(73,961)	–	–	(73,961)	–	–
Total transactions with owners in their capacity as owners	(73,961)	(73,961)	–	–	(73,961)	–	–
Others							
Share of share option reserve from equity-accounted associates	19	19	–	–	–	19	–
Total others	19	19	–	–	–	19	–
Closing balance at 30/6/2017	2,163,683	1,860,628	808,014	(62,313)	1,117,798	(2,871)	303,055

1(d)(i) Statements of changes in equity *(continued)*

COMPANY

	Total equity $000	Share capital $000	Retained earnings $000	Other reserves $000
Opening balance at 1/1/2018	1,593,786	808,030	785,789	(33)
Profit for the period	33,424	–	33,424	–
Total comprehensive income for the period	33,424	–	33,424	–
Closing balance at 31/3/2018	1,627,210	808,030	819,213	(33)
Profit for the period	4,370	–	4,370	–
Total comprehensive income for the period	4,370	–	4,370	–
Contributions by and distributions to owners				
Dividends paid	(25,566)	–	(25,566)	–
Total transactions with owners in their capacity as owners	(25,566)	–	(25,566)	–
Closing balance at 30/6/2018	1,606,014	808,030	798,017	(33)
Opening balance at 1/1/2017	1,614,606	807,938	802,687	3,981
Profit for the period	3,777	–	3,777	–
Total comprehensive income for the period	3,777	–	3,777	–
Contributions by and distributions to owners				
Ordinary shares issued on exercise of share options converted into ordinary stocks	76	76	–	–
Total transactions with owners in their capacity as owners	76	76	–	–
Closing balance at 31/3/2017	1,618,459	808,014	806,464	3,981
Profit for the period	46,616	–	46,616	–
Total comprehensive income for the period	46,616	–	46,616	–
Contributions by and distributions to owners				
Dividends paid	(76,567)	–	(76,567)	–
Total transactions with owners in their capacity as owners	(76,567)	–	(76,567)	–
Closing balance at 30/6/2017	1,588,508	808,014	776,513	3,981

1(d)(ii) Details of any changes in the company's issued share capital

There was no change in the issued share capital of the Company since 31 December 2017.

As at 30 June 2018, there was no (30 June 2017: 165,721) outstanding share options in respect of unissued stock units under the United Engineers Share Option Scheme 2000.

Share capital	**30/6/2018**	**30/6/2017**
Number of issued stock units	637,520,399	637,508,148
Number of issued stock units (excluding subsidiary holdings)	615,808,399	615,796,148
Number of subsidiary holdings	21,712,000	21,712,000
Number of treasury shares	Nil	Nil
Percentage of the aggregate number of treasury shares and the subsidiary holdings held against the total number of shares outstanding	3.41%	3.41%

1(d)(iii) Total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

As at 30 June 2018, the Company's issued and paid-up ordinary share capital excluding treasury shares was 637,520,399 ordinary stock units (31 December 2017: 637,520,399).

1(d)(iv) A statement showing all sales, transfer, disposal, cancellation and/or use of treasury shares as at the end of the current period reported on.

Not applicable. There were no treasury shares during and as at the end of the current period reported on.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current period reported on.

There were no sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current period reported on.

2 Whether the figures have been audited or reviewed and in accordance with which standard (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard)

The figures have not been audited or reviewed by the Group's auditors.

3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)

Not applicable.

4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

Except as disclosed in Paragraph 5 below regarding the adoption of the Singapore Financial Reporting Standards (International), there were no further changes in accounting policies and methods of computation adopted in the financial statements of the current reporting period as compared to the most recently audited annual financial statements as at 31 December 2017.

5 <u>If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and effect of, the change</u>.

For annual financial period beginning on or after 1 January 2018, Singapore incorporated companies listed on the SGX-ST will apply Singapore Financial Reporting Standards (International) (SFRS(I)), a new financial reporting framework identical to International Financial Reporting Standards. The Group has adopted SFRS(I) on 1 January 2018.

The adoption of SFRS(I), amendments and interpretations did not result in any significant change to the Group's accounting policies or any significant impact on the financial statements of the Group except for the followings:

In adopting SFRS(I), the Group has elected the option to reset its cumulative foreign currency translation differences to zero at the date of transition on 1 January 2017. As a result, cumulative translation losses of $31.4 million were reclassified from foreign currency translation reserve to set-off against the opening retained earnings as at 1 January 2017. After the date of transition, any gain or loss on disposal of any foreign operations will exclude translation differences that arose before 1 January 2017. In 2017, the Group has liquidated certain foreign subsidiaries. Consequently, the gains or losses on liquidation of these foreign subsidiaries were also restated.

<u>SFRS(I) 15</u>
SFRS(I) 15 establishes a five-step model to account for revenue arising from contracts with customers, and introduces new contract cost guidance. Under SFRS(I) 15, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The Group has applied the changes in accounting policies, using the full retrospective approach.

<u>SFRS(I) 9</u>
SFRS(I) 9 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristic and the business model under which they are held. The impairment requirement in SFRS(I) 9 is based on an expected credit loss model and replace the FRS 39 incurred loss model. The Group applies the simplified approach and records lifetime expected losses on all trade and other receivables. The adoption of the expected credit loss model did not result in any significant impact on the financial statement.

The Group has adopted the new standard on 1 January 2018 without restating prior periods' information and recognised any differences between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings. The Group has accounted its available-for-sale equity securities at fair value through other comprehensive income, with gain and loss remaining in other comprehensive income, upon derecognition.

<u>Impact on the comparatives for the Q2 2018 and 6 months 2018 Financial Statement</u>:

The effects on the comparatives arising from the adoption of SFRS(I)s, subject to year-end audit are as follows:

<u>Income statement</u>

Group	**3 months ended**	**6 months ended**
	30/6/2017	**30/6/2017**
	$000	**$000**
Increase in revenue	2,828	7,566
Increase in cost of sales	(2,598)	(6,940)
Decrease in other income	(119)	(119)
Increase in profit for the period	111	507
Increase in earnings per stock (basic)	–	0.1¢
Increase in earnings per stock (diluted)	–	0.1¢

<u>Statement of financial position</u>

Group	**31/12/2017**	**01/01/2017**
	$000	**$000**
Increase in properties held for sale	–	2,346
Decrease in retained earnings	(31,813)	(29,422)
Increase in other reserves	31,813	31,419
Increase in trade and other payables	–	349

6 Earnings per stock unit (cents)

	3 months ended		6 months ended	
	30/6/2018	30/6/2017 (Restated)[1]	**30/6/2018**	30/6/2017 (Restated)[1]
(a) Basic*:	**1.7**	7.1	**3.1**	8.5
(b) Diluted**:	**1.7**	7.1	**3.1**	8.5
(c) Weighted average number of stock units used in the computation of basic earnings per stock unit	**637,520,399**	637,508,148	**637,520,399**	637,508,148
(d) Weighted average number of stock units used in the computation of diluted earnings per stock unit	**637,520,399**	637,514,461	**637,520,399**	637,514,415

* Earnings per ordinary stock unit on existing issued share capital, after deducting provision for preference dividend, is computed based on the weighted average number of ordinary stock units in issue during the period.

** Earnings per ordinary stock unit on a fully diluted basis, after deducting provision for preference dividend, is computed based on the weighted average number of ordinary stock units during the period adjusted to assume conversion of all dilutive ordinary shares.

7 Net asset value per stock unit

	Group		Company	
	30/6/2018	31/12/2017 (Restated)[1]	**30/6/2018**	31/12/2017
Net asset per ordinary stock unit based on the total number of issued stock units	**$3.09**[3]	$3.09[3]	**$2.52**	$2.50

[3] Based on total number of issued stock units excluding the number of stock units held by a subsidiary.

8 A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current period reported on.

Overview

Q2 2018 compared with Q2 2017

Revenue decreased 23% to $96.2 million in Q2 2018 from $124.7 million in Q2 2017. This was mainly due to lower revenue from property development and the absence of contribution from the liquefied petroleum gas (LPG) business which was divested towards the end of 2017. As a result, gross profit decreased 9% to $43.0 million in Q2 2018.

Interest income increased 65% to $1.3 million in Q2 2018 from $0.8 million in Q2 2017 mainly due to higher interest income from fixed deposits.

Other income decreased 97% to $1.6 million in Q2 2018 from $46.1 million in Q2 2017 mainly due to the absence of fair value gains of $45.4 million recorded in Q2 2017 from the revaluation of the Group's investment properties.

Distribution costs decreased 25% to $5.8 million in Q2 2018 from $7.7 million in Q2 2017 mainly due to the absence of expenses from the divested LPG business.

Administrative expenses decreased 16% to $22.1 million in Q2 2018 from $26.4 million in Q2 2017 mainly due to lower staff costs and bank commitment fees.

Other expenses decreased 93% to $0.6 million in Q2 2018 from $9.1 million in Q2 2017 mainly due to the absence of impairment loss of $8.9 million recorded in Q2 2017 in relation to *Shenyang Orchard Summer Palace* project.

Share of profit from equity-accounted associates and joint ventures decreased 15% to $1.4 million in Q2 2018 from $1.7 million in Q2 2017 mainly due to lower contribution from an associate in Singapore.

Income tax expense decreased 71% to $1.7 million in Q2 2018 from $5.9 million in Q2 2017. Excluding the revaluation gains on the investment properties, the effective tax rate in Q2 2017 was higher mainly due to higher losses incurred by certain overseas subsidiaries which were not available for group relief.

6 months 2018 (6M 2018) compared with 6 months 2017 (6M 2017)

Revenue decreased 13% to $201.4 million in 6M 2018 from $230.8 million in 6M 2017. This was mainly due to lower revenue from property development and the absence of contribution from the divested LPG business. As a result, gross profit decreased 4% to $89.3 million in 6M 2018.

Interest income increased 32% to $2.1 million in 6M 2018 from $1.6 million in 6M 2017 mainly due to higher interest income from fixed deposits.

Other income decreased 96% to $2.0 million in 6M 2018 from $47.0 million in 6M 2017 mainly due to the absence of fair value gains of $45.4 million recorded in 6M 2017 from the revaluation of the Group's investment properties.

Distribution costs decreased 18% to $12.1 million in 6M 2018 from $14.8 million in 6M 2017 mainly due to the absence of expenses from the divested LPG business.

Other expenses decreased 86% to $1.5 million in 6M 2018 from $11.2 million in 6M 2017 mainly due to the absence of impairment loss of $8.9 million recorded in 6M 2017 in relation to *Shenyang Orchard Summer Palace* project.

Income tax expense decreased 35% to $4.9 million in 6M 2018 from $7.5 million in 6M 2017. Excluding the revaluation gains on the investment properties, the effective tax rate in 6M 2017 was higher mainly due to higher losses incurred by certain overseas subsidiaries which were not available for group relief.

The Group's attributable profit decreased 76% to $11.0 million in Q2 2018 from $45.4 million in Q2 2017. For 6M 2018, attributable profit decreased 63% to $20.0 million in 6M 2018 from $54.1 million in 6M 2017. Excluding the revaluation gains on investment properties of $45.4 million and impairment loss on properties held for sale of $8.9 million recorded in 6M 2017, the attributable profit in 6M 2018 increased 35% from $14.8 million in 6M 2017.

Financial position review

Current trade and other payables decreased by approximately $22 million mainly due to the decline in accruals and advances received from buyers of overseas projects following revenue recognition upon project completion.

Cash flow review

As at 30 June 2018, the Group had cash and cash equivalents of $341 million. In Q1 2018, the Group received the remaining proceeds of $4.6 million from the disposal of a business unit and liquidation of a subsidiary. Separately, the Group utilised $25 million for dividend payments and $9 million for acquisition of additional shareholding in a subsidiary. Apart from this, the Group's components of cash flow and changes in these components from 31 December 2017 to 30 June 2018 were mainly due to the Group's ongoing operations.

Operation review

Property Rental & Hospitality

Revenue decreased 5% to $31.2 million in Q2 2018 from $32.8 million in Q2 2017 and 5% to $62.5 million in 6M 2018 from $65.6 million in 6M 2017. Operating profit before interest decreased 74% to $15.5 million in Q2 2018 from $59.6 million in Q2 2017 and 58% to $31.9 million in 6M 2018 from $76.8 million in 6M 2017 mainly due to the absence of fair value gains of $45.4 million recorded in 6M 2017 from the revaluation of the Group's investment properties.

Property Development

Revenue decreased 54% to $9.9 million in Q2 2018 from $21.4 million in Q2 2017 and 34% to $22.6 million in 6M 2018 from $34.3 million in 6M 2017 mainly due to the absence of revenue contribution from the property sales at *Eight Riversuites* in 2018. Operating profit before interest was $0.03 million in Q2 2018 compared with operating loss of $10.6 million in Q2 2017. Operating loss in Q2 2017 was mainly due to the impairment loss on *Shenyang Orchard Summer Palace* project. Operating loss before interest decreased 97% to $0.4 million in 6M 2018 from $13.2 million in 6M 2017, partly due to improved contribution from the sale of property units from completed phases of *Chengdu Orchard Villa.* The higher operating loss in 6M 2017 was mainly due to impairment loss on *Shenyang Orchard Summer Palace* project.

Engineering & Distribution

Revenue decreased 36% to $22.4 million in Q2 2018 from $35.0 million in Q2 2017 and 17% to $52.3 million in 6M 2018 from $62.8 million in 6M 2017 mainly due to lower revenue from the distribution businesses. The revenue decline in 6M 2018 was partially mitigated by higher revenue from the system integration business. Operating profit before interest decreased 36% to $0.9 million in Q2 2018 from $1.4 million in Q2 2017 mainly due to lower profit contribution from the distribution businesses. Operating profit before interest increased 64% to $3.6 million in 6M 2018 from $2.2 million in 6M 2017 mainly due to project completion with higher profit contribution from the system integration business.

Manufacturing

Revenue decreased 11% to $18.6 million in Q2 2018 from $20.9 million in Q2 2017 and 11% to $37.6 million in 6M 2018 from $42.2 million in 6M 2017. Operating profit before interest decreased 36% to $0.9 million in Q2 2018 from $1.4 million in Q2 2017 and 50% to $1.1 million in 6M 2018 from $2.2 million in 6M 2017. The decline in revenue and operating profit was mainly due to certain existing precision engineering manufacturing programs reaching their end-of-life, whereas new programs have yet to reach mass production volumes.

9 Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

The Company did not make any forecast statement previously. The Group's Q2 2018 results are in line with the statement made in paragraph 10 of the Company's Q1 2018 results announcement on 7 May 2018.

10 A commentary at the date of this announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

Escalating trade protectionism, heightened policy uncertainties, and rising geopolitical tensions may weigh on the global economic growth prospect. While the new round of residential property cooling measures by the Singapore Government may impact the sentiment of the residential property market, the office rental market in Singapore may continue to see steady recovery. The Group is embarking on asset enhancement initiatives for its investment properties in Singapore and may make selective acquisitions if and when such opportunities arise. In China, the property cooling measures have brought about a relative slowdown in activity in certain cities, but the demand for good quality housing remains and the property market may continue to see sustainable growth in the longer term.

11 Dividend

(a) Current financial period reported on
Any dividend recommended for the current financial period reported on?

None.

(b) Corresponding period of the immediately preceding financial year
Any dividend declared for the corresponding period of the immediately preceding financial year?

None.

(c) Date Payable

Not applicable.

(d) Books closure date

Not applicable.

12 If no dividend has been declared/recommended, a statement to that effect

The Directors do not recommend the payment of an interim dividend on either the Cumulative Preference Shares or the Ordinary Stock. However, as in past years, the Directors will consider the payment of a year-end final dividend for both the Cumulative Preference Shares and Ordinary Stock.

13 If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Company had obtained a general mandate from shareholders for interested person transactions ("IPTs") at the Annual General Meeting ("AGM") held on 25 April 2017 ("IPT Mandate"). The IPT Mandate covers mandated transactions with Oversea-Chinese Banking Corporation Limited and its associates (which include Great Eastern Holdings Limited and its subsidiaries) (collectively, "OCBC group") which were interested persons until 12 July 2017. For the period 1 April 2018 to 26 April 2018, there was no IPT with any amount exceeding $100,000 with any other interested persons other than the OCBC group.

The IPT Mandate obtained from shareholders at the AGM held on 25 April 2017 had lapsed on 26 April 2018 (after the conclusion of the AGM held on 26 April 2018). The Company did not seek to renew the IPT Mandate at the AGM held on 26 April 2018 and hence, no general mandate has been obtained from shareholders for IPTs.

14 <u>Confirmation that the Issuer has procured undertaking from all of its Directors and Executive Officers (in the format set out in Appendix 7.7) under Rule 720(1).</u>

The Company confirms that it has procured undertakings from all of its directors and executive officers in the format set out in Appendix 7.7 of the Listing Manual.

BY ORDER OF THE BOARD
Gn Jong Yuh Gwendolyn
Secretary
13 August 2018

Confirmation by the Board

We, Zhong Sheng Jian and Tan Chee Keong Roy, being two directors of United Engineers Limited (the "Company"), do hereby confirm on behalf of the directors of the Company that, to the best of their knowledge, nothing has come to the attention of the board of directors of the Company which may render the Q2 2018 financial results to be false or misleading in any material aspect.

On behalf of the Board,

…………………………………………	…………………………………………
Zhong Sheng Jian	Tan Chee Keong Roy
Executive Chairman	Group Managing Director