United Engineers Limited

BUILDING FOR LASTING VALUE

ANNUAL REPORT 2018

CONTENTS

CORPORATE PROFILE

愿景 VISION

To be the company of choice, recognised worldwide, for unparalleled first-class solutions

成为世界公认的顶尖公司，提供一流、无可比拟的解决方案

使命 MISSION

To be the leader in our chosen markets, delivering one-stop solutions to customers

成为所涉及领域中的佼佼者，并为顾客提供一站式的服务

Founded in 1912, United Engineers Limited ("UEL" or the "Company", and together with its group of subsidiaries, the "Group") is one of Singapore's pioneer companies that played an integral role in the country's physical and economic transformation.

Building on its early engineering roots, the Group evolved into a dynamic corporation with key business activities in Property Rental and Hospitality, Property Development, Engineering and Distribution, as well as Manufacturing today.

The Group has developed numerous iconic buildings that define the Singapore landscape, including *orchardgateway*, *UE BizHub CITY* (formerly known as *UE Square*), *UE BizHub EAST*, as well as the mixed-use development at one-north comprising *The Rochester*, *Rochester Mall* and *Park Avenue Rochester*. It also owns a stable of shopping malls which comprises *Rochester Mall*, *The Seletar Mall* and *UE Square Shopping Mall*, as well as manages the *Park Avenue* chain of hotels, serviced apartments, serviced offices and convention centre.

The Group was honoured as the 11th oldest company by Singapore International Chamber of Commerce and its flagship building, *UE BizHub CITY*, was marked a historic site in 2002 by Singapore National Heritage Board. In recognition of its contribution to Singapore's development over the decades, the Group was awarded the Singapore Golden Jubilee Business Award organised by Singapore Business Federation, Accounting and Corporate Regulatory Authority and DP Information Group.

联合工程有限公司简介

联合工程有限公司（“UEL”或“公司”，以及子公司合称“集团”）成立于1912年，是新加坡历史悠久的百年企业之一，在国家的物质与经济转型历程中发挥了不可或缺的巨大作用。集团在早期工程业务的坚实基础上不断拓展，现已成为一家实力雄厚的综合性公司，主营业务包括物业租赁和酒店服务、房地产开发、工程与分销以及制造业。

集团在新加坡开发了许多重塑新加坡景观的标志性建筑，包括 *orchardgateway*、*UE BizHub CITY*（前称 *UE Square*）、*UE（樟宜）商务中心（UE BizHub EAST）*，以及位于纬壹科技城（*one-north*），由私人住宅 *The Rochester*、*罗切斯特商场*（*Rochester Mall*）和*公园大道（罗切斯特）酒店*（*Park Avenue Rochester*）所组成的大型综合性项目。此外，集团不仅拥有一系列购物中心，包括*罗切斯特商场*（*Rochester Mall*）、*The Seletar Mall*和*UE广场购物中心*（*UE Square Shopping Mall*），还管理*公园大道*（*Park Avenue*）品牌的连锁酒店及旗下的服务式公寓酒店、服务式办公室和展览会议中心。

集团被新加坡国际商会评为全国第十一家历史最悠久的公司，而其旗下最有名的物业 *UE BizHub CITY* 在2002年被新加坡国家文物局列为历史文化地段。为表彰集团数十年来为新加坡做出的巨大贡献，集团荣获了由新加坡工商联合总会、新加坡会计与企业管制局（ACRA）和 DP资讯集团所颁发的新加坡金禧商业大奖。

BUSINESS MODEL

Property Rental and Services

- Project management and asset management for shopping malls, office buildings and mixed-use developments

Hospitality

- Hotels
- Serviced apartments
- Serviced offices
- Convention centre

Property Development

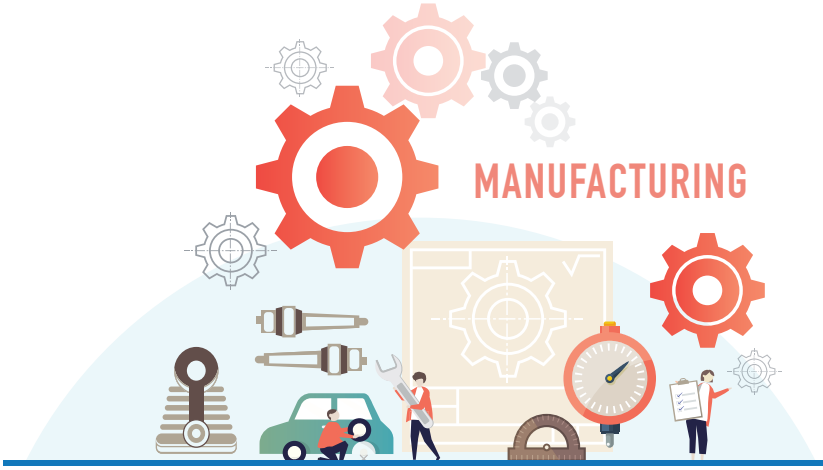
- Residential, commercial, industrial, mixed-use and build-to-suit projects in Singapore
- Residential and mixed-use projects in China

Systems Integration

- For broadcasting and multimedia, communications and information technology, as well as security and surveillance sectors

Distribution

- Construction materials
- Laundry and boiler equipment
- Automotive parts
- Sand mining



Precision Engineering

- Manufacture of die-cast precision parts and components

Electronic Manufacturing Services

- Provision of turnkey manufacturing solutions

BUSINESS PRESENCE

PROPERTY

Singapore
Malaysia
China

ENGINEERING AND DISTRIBUTION

Singapore
Malaysia
Thailand
Australia
United States of America

MANUFACTURING

China
United Kingdom

LETTER TO SHAREHOLDERS

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the annual report of United Engineers Limited and its subsidiaries (the "Group") for the financial year ended 31 December 2018 ("FY 2018").

2018 REVIEW

The Singapore economy grew by 3.2% in 2018, lower than the 3.9% growth in the preceding year. The Urban Redevelopment Authority (URA) reported that prices of private residential properties increased by 7.9% in 2018, compared with 1.1% increase in 2017. Amidst subdued interest in private residential developments following further cooling measures introduced in July 2018, sales volume for new homes fell 16.8% from 10,566 units to 8,795 units in 2018 whilst launches rose 45.7% from 6,020 units to 8,769 units in 2018.

Increased demand for new-builds and quality office space by insurance and business-services companies, tech companies and co-working operators tripled net lettable office space absorption in 2018 to 172,000 square metres. Underscored by this strong demand growth, island-wide office vacancy rate in Singapore eased from 12.6% to 12.1%, contributing to a 7.4% increase in office rentals in 2018.

Despite the impact of property cooling measures and the US-China trade conflict, China achieved full year GDP growth rate of 6.6%. To maintain stable and sustainable long-term growth, the Chinese authorities continued to minimise asset bubble risks and reduce debt risks in the general economy and the property market. Underlined by the Chinese government's drive for deleveraging coupled with property cooling measures introduced, the Chinese real estate market experienced a divergence in demand situation whereby Tier 1 cities continued to be healthy while Tier 2 cities were divided and lower tier cities experienced a gradual inventory build-up. Nonetheless, the real estate sector grew steadily in 2018 with total investments in residential developments rising 13.4% to RMB8.5 trillion based on data compiled by National Bureau of Statistics on 21 January 2019. Buoyed by healthy demand for residential properties, prices for primary commodity housing within the top 70 cities rose 10.6% year-on-year in December 2018.

Singapore's tourism sector continues to register healthy growth with international visitor arrivals growing 6.2% in 2018 to 18.5 million. Average occupancy for the hotel industry in Singapore for 2018 rose by 1.4 percentage points to 86.2% and average room rate increased by 0.7% to S$219.

PERFORMANCE REVIEW

The Group's total revenue decreased 29% to S$374.9 million for the financial year ended 31 December 2018 mainly due to lower contributions from property development business following the completion of *Chengdu Orchard Villa* Phase 4 and *Eight Riversuites*, as well as from the sales of completed commercial units at *Shenyang Orchard Summer Palace* and the absence of contribution from the divested liquefied petroleum gas business. As a result, gross profit declined 17% to S$162.5 million compared to the preceding year.

Profit attributable to equity holders fell 36% to S$55.8 million, compared with the re-presented attributable profit of S$87.2 million reported in 2017. This was primarily due to lower revaluation gains from the investment properties and lower write-back of provision in relation to the sale of *UE BizHub EAST*. Attributable profit was also lower due to provision for foreseeable losses for certain system integration projects in engineering business, as well as inventory write-down and impairment loss on property, plant and equipment for manufacturing business.

DIVIDEND

The Board of Directors is pleased to recommend a first and final one-tier tax exempt ordinary dividend of 3 Singapore cents per ordinary stock unit, and a preference dividend of 7.5 Singapore cents per preference share. The Board took into consideration the Group's operating cash flow and working capital requirements, as well as future investment plans and the market outlook. The proposed dividends will be paid on 27 May 2019, subject to shareholders' approval at the forthcoming Annual General Meeting (AGM) to be held on 30 April 2019.

STRATEGY

Following the strategic portfolio alignment of our businesses over the past few years, the Group sharpened its focus on real estate-related businesses that span property development, property rental and hospitality management.

In March 2018, we successfully resettled remaining farmer households and planned to commence development of the Phase 3.2 land of *Shanghai Olympic Garden* in 2019 upon obtaining government approval for the development plan.

On 7 September 2018, the Group was awarded a land parcel at Dairy Farm Road by URA at the tender price of S$368.8 million (S$830.40 psf ppr). The 99-year leasehold site, with a maximum permissible gross floor area of 41,260 square metres could be developed into approximately 450 units of residential apartments with commercial spaces.

The Group's hospitality business is partnering with Singapore Tourism Board to pilot Singapore Tourism Analytics Network which analyses and stores tourism data including visitor arrivals, traveller spending and movement patterns, as well as website traffic and hotel industry information. By aggregating hospitality data and tourism content, the Group can draw insights and make better operational and strategic decisions.

With our portfolio of income-producing assets, the Group is well-poised for sustainable growth in these challenging times and seizing opportunities if and when they arise.

CAPITAL MANAGEMENT

The Group's net debt increased to S$837.5 million as at 31 December 2018 mainly due to the financing for the Dairy Farm project. The net gearing has increased to approximately 0.43 times compared with 0.23 times in 2017. We will continue to exercise prudence in managing our capital structure ensuring financial flexibility and sufficient resources to seize opportunities at appropriate times.

SUSTAINABILITY

The Group believes in managing and growing our businesses sustainably and in the interests of all stakeholders. Whether in developing residential or commercial buildings, or in our manufacturing and other operations, we will continue to treat safety and health of our customers, tenants and staff with utmost importance and minimise adverse impact to the environment, as well as to uphold our ethos and sound business practices. During the year, the Group published its inaugural Sustainability Report 2017 in accordance with the Global Reporting Initiative sustainability reporting framework.

ACCOLADES ON VARIOUS FRONTS

The Group is dedicated to constantly strive for excellence in all aspects of its operations and won various awards during the year.

Chengdu Orchard Villa won Quality Service Award 2018 at the China Real Estate Billboard ceremony; Ecological Liveable Real Estate Award 2018 at the Leju (Sichuan) Innovation Summit; as well as Chengdu Real Estate Liveable Demonstration Project Award 2018 at the 15th China Real Estate Network Popularity Awards.

On the hospitality front, *Park Avenue* won three Outstanding Star Awards, ten Star Awards, nine Gold Awards and 27 Silver Awards at the Excellent Service Award (EXSA) 2018. It was also presented with four Service Gold Awards at the National Kindness Award ceremony and achieved BizSAFE STAR, the highest accreditation given to an organisation for attaining the highest workplace safety and health capabilities.

OUTLOOK

Singapore's Ministry of Trade and Industry assessed that the external demand outlook for the Singapore economy in 2019 has weakened mainly due to the risk of a further escalation of trade conflicts between the US and its key trading partners, a sharper-than-expected slowdown of the Chinese economy and a risk of "no-deal" Brexit. Given the sizeable residential supply pipeline from public land tenders and private collective sale sites accumulated before the July 2018 measures, developers may pace out their launches. Government land for residential use is likely to be slowly released and land bids from developers are expected to be measured. Investment sentiment remains buoyant for Singapore office market as interest continues to shift towards the commercial sector and the outlook for office rents remains positive over the next few years. However, retail rents may remain flat given prevailing challenges for the sector.

In view of the global economic outlook and property cooling measures in Singapore and China, the Group expects business conditions in which it operates to remain challenging. As such, the Group will focus on strategy execution and continue to be disciplined in making selective new property investments or land acquisitions. With our portfolio of income-producing assets, the Group is well-poised for sustainable growth in these challenging times and seizing opportunities if and when they arise.

The Group's hospitality business in Singapore is expected to benefit from higher air passenger traffic following the expansion of Changi Airport's Terminal 1 and Jewel Changi Airport which is slated to open in April 2019.

In China, the Group will continue to focus on the sales and leasing of *Shenyang Orchard Summer Palace* and tap on the current demand to develop good quality residential projects. All 231 residential units of *Chengdu Orchard Villa* Phase 5 had been sold, contributing positively to the Group's performance in 2019.

ACKNOWLEDGEMENTS

Finally, I wish to thank my fellow Board members for their counsel and contribution during the past year. On behalf of the Board, we would like to express our appreciation to our shareholders, customers, tenants, business associates and investors for their unwavering support, and to the management and staff for their dedication and hard work.

MR ZHONG SHENG JIAN
Executive Chairman
5 March 2019

致股东函

尊敬的各位股东，

我谨代表董事会欣然提报联合工程有限公司及其附属公司（统称本集团）截止至2018年12月31日的年度报告。

2018年回顾

新加坡经济在2018年同比增长3.2%，增长幅度略低于2017年的3.9%。市区重建局的数据显示私人住宅物业价格在去年上升了7.9%，比2017年的1.1%增幅显著。但由于新加坡有关当局在2018年7月推出了新一轮地产降温措施，使得私人住宅项目市场日趋平静。新私人住宅的销售量同比下降16.8%，从2017年的1万566个单位减少至2018年的8,795个单位。同时新私人住宅项目的供应则增加了45.7%，新增房源从2017年的6,020套增加至2018年的8,769套。

办公及商用地产方面，由于保险、商业服务公司、科技公司和运营商在2018年里对于新建和优质办公室的需求激增，导致办公楼出租去化率在2018年同比增长三倍，达172,000平方米。这趋势也让办公室空置率从2017年的12.6%下降至12.1%，办公室平均租金同比也增长7.4%。

尽管受房地产市场降温措施和中美贸易战影响，中国国内生产总值（GDP）仍然取得6.6%的增长。为保持稳定和可持续的长期发展，中国政府继续致力于降低资产泡沫风险，以及整体经济和房产市场的债务风险。2018年中国大力推动企业去杠杆，在金融财政政策定向宽松的同时，房地产调控政策也导致了一线强，二线分化加剧，三四线去库存的不同区域不同城市的格局。根据国家统计局于2019年1月21日公布的数据，房产业取得稳定增长，住宅发展总投资额增加13.4%，达8.5万亿人民币。在2018年12月，国内70个大城市的住宅售价与去年同比增长10.6%。

新加坡旅游业继续取得稳健增长，国际游客人数于2018年增加6.2%，达1,850万人次。酒店业的平均入住率也升了1.4个百分点至86.2%，平均房价也略增0.7%至219新元。

业绩回顾

截止至2018年12月31日的财政年度，本集团的销售收入减少29%至3.749亿新元。主要是因为地产开发业务的贡献随着*成都锦绣尚郡*（Chengdu Orchard Villa）四期和*八河苑*（Eight Riversuites）项目竣工、*沈阳夏宫城市广场*（Shenyang Orchard Summer Palace）较低的商用单位的出售，以及脱售液化石油气业务后而减低。因此，2018年的毛利与去年同比下降17%至1.625亿新元。

与2017年的8,720万新元重述可分配利润相比，2018年利润下跌36%至5,580万新元。这主要是因为投资型物业重估收益减少，以及对出售 *UE（樟宜）商务中心*（UE BizHub EAST）较少的备付拨回。工程业务为某些系统集成项目的可预见亏损提供备付、以及制造业务的存货注销和固定资产的减值，也导致可分配利润相对减少。

股息

董事考虑了集团营运现金流量、营运所需资金、未来投资计划和市场前景后，建议向股东派发每股3新加坡分的首次及末期股息，以及每优先股7.5新加坡分的优先股股利。一旦派息建议在2019年4月30日举行的股东大会上获得批准，公司将在2019年5月27日派发股息。

策略

随着集团业务在过去几年进行战略整合，集团现在更专注于房地产开发、投资型物业出租和酒店及服务式公寓等房地产相关业务。

2018年3月，我们成功完成了*上海奥林匹克花园*（Shanghai Olympic Garden）3.2期土地剩余农户的拆迁，并计划在2019年一旦获得当地政府给与新开发计划的批准后进行开发。

2018年9月7日，本集团以3.688亿新元（容积率每平方英尺830.40新元）的土地价格，成功标得位于牛乳场路的一块综合使用土地。这幅99年地契地块，总建筑面积可达41,260平方米，可开发约450个住宅单位及部分商用配套。

我们的酒店业务正与新加坡旅游局合作新加坡旅游分析的试点项目，主要为分析和储存旅游数据，包括：旅客人数、消费与活动模式，以及网站流量和酒店业务信息。通过汇编酒店业务数据与旅游业内容，集团可从中获得更深入的见解，并作出针对运营和战略决策更精准的判断。

资本管理

截止至2018年12月31日，本集团的净负债主要因牛乳场项目融资，增至8.375亿新元。与2017年相比，净负债率增至约0.43倍。我们会继续审慎管理我们的资本结构，以确保财务灵活性及有充足的资源在适当的时候抓住机遇。

可持续发展

集团相信以可持续发展的方式管理和发展业务。同时集团无论是在开发住宅和商业建筑，或是制造和其他业务时也会深入考虑到所有利益相关者的利益。市场是多变的，唯有以正确的态度考虑到我们客户的利益、租户和员工的安全和健康，正面的去面对和解决问题才能将对环境出现的不利影响减至最低，维护良好的商业行为并更好的去履行我们对社会的企业责任。2018年，我们以《全球报告倡议组织的可持续发展报告框架》为依据，发布了首份《可持续发展报告2017》。

各方面的荣誉

集团各业务部门在开展业务时秉持着企业理念在各领域追求卓越的表现，并在今年获得丰硕成果。

成都锦绣尚郡（Chengdu Orchard Villa）在中国房产风云榜组委会荣获2018年年度品质服务楼盘奖，并在乐居（四川）创新峰会上荣获2018年度生态宜居楼盘大奖，以及第十五届中国房地产网络人气榜颁奖典礼上荣获2018年成都房地产宜居示范项目大奖。

酒店业务方面，*Park Avenue* 在2018年卓越服务奖（EXSA）上赢得了3项杰出星耀大奖、10项星耀大奖、9项金奖及27项银奖。它也在全国友善颁奖典礼中荣获4项服务金奖，并获得了BizSAFE 星级认证，这是为获得最高工作场所安全和健康能力的组织颁发的最高认证。

展望未来

新加坡贸工部针对2019年的分析指出，外部经济需求前景减弱，主要原因是美国与其主要贸易伙伴之间贸易冲突可能进一步升级的风险，中国经济放缓度比预期更为严重，以及无协议脱欧的风险越来越大。随着公开招标和私宅集体出售所带来得大量累积住宅供应，发展商有可能在推出新项目时，调整其步伐。政府住宅用地可能会缓慢释放，预计开发商的土地投标将放缓。尽管如此市场对商业用地如写字楼的投资气氛仍然活跃，研究报告提及由于需求量的增长，未来几年的租金前景也仍然乐观。但对于零售业的展望仍较消极，主要是零售业在科技对于传统零售业业务模式所带来的冲击将影响店面租金的增长空间。

鉴于全球经济前景有颇多的不稳定因素以及新加坡和中国政府所推出的房地产降温措施，2019年仍是个附有挑战性的一年。因此，集团将专注于策略执行，并审慎选择新房产投资项目或土地收购。凭借我们审慎的财务运作，集团已为这充满挑战性的时期做好了可持续增长的准备。我们将把握机遇，选择性的投资以便实现集团的可持续发展。随着樟宜机场第一搭客大厦的扩建及星耀樟宜计划于2019年4月的开放，新加坡的航空客流量有望进一步提升，集团的酒店业务预计将因此受益。

中国业务方面，集团将继续专*注沈阳夏宫城市广场*（Shenyang Orchard Summer Palace）的销售及租赁，并承接目前的良好需求环境开发部分优质住宅项目。*成都锦绣尚郡*（Chengdu Orchard Villa）五期的231个联排别墅单位已售罄，预计将为集团2019年的业绩做出良好贡献。

致谢

最后，我要感谢各位董事会成员们在过去一年的建议和贡献。我谨代表董事会衷心地感谢全体股东、顾客、租户、合作伙伴和投资者的鼎力支持，以及管理团队和员工为集团所作出的努力和贡献。

钟声坚先生
执行主席
2019年3月5日

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr Zhong Sheng Jian
(Executive Chairman)

Mr Teo Ser Luck
(Lead Independent Director)

Mr Lee Suan Hiang
(Independent and Non-Executive Director)

Mr David Wong Cheong Fook
(Independent and Non-Executive Director)

Mr Pua Seck Guan
(Non-Independent and Non-Executive Director)

Mr Tan Chee Keong Roy
(Group Managing Director)

AUDIT & RISK COMMITTEE

Mr David Wong Cheong Fook
(Chairman)

Mr Lee Suan Hiang

Mr Teo Ser Luck

NOMINATING COMMITTEE

Mr Teo Ser Luck
(Chairman)

Mr Zhong Sheng Jian

Mr David Wong Cheong Fook

REMUNERATION COMMITTEE

Mr Lee Suan Hiang
(Chairman)

Mr Pua Seck Guan

Mr Teo Ser Luck

COMPANY SECRETARY

Ms Gn Jong Yuh Gwendolyn

REGISTERED OFFICE

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Facsimile: +65 6818 8398
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SHARE REGISTRAR

Tricor Barbinder Share Registration Services
(A division of Tricor Singapore Pte. Ltd.)
80 Robinson Road #02-00
Singapore 068898
Telephone: +65 6236 3333
Facsimile: +65 6236 3405

AUDITOR

Ernst & Young LLP
Public Accountants and Chartered Accountants
One Raffles Quay
Level 18 North Tower
Singapore 048583

Partner in charge:
Mr Tan Seng Choon
(Appointed since financial year ended 31 December 2018)

PRINCIPAL BANKERS

DBS Bank Ltd
Oversea-Chinese Banking Corporation Limited
United Overseas Bank Limited

FINANCIAL CALENDAR

7 May 2018	Announcement of Q1 2018 Results
13 August 2018	Announcement of Q2 2018 Results
14 November 2018	Announcement of Q3 2018 Results
25 February 2019	Announcement of Full Year Results
5 April 2019	Notice of Annual General Meeting
30 April 2019	Annual General Meeting
6 May 2019	Ex-dividend Date
7 May 2019	Last Date for Registration of Transfers
8 to 9 May 2019	Books Closure Dates
27 May 2019	Dividend Payment Date

BOARD OF DIRECTORS

MR ZHONG SHENG JIAN

Executive Chairman
Non-Independent and Executive Director

Mr Zhong Sheng Jian joined the Board and was appointed as the Executive Chairman in September 2017. Mr Zhong was last re-elected as a Director in 2018 and serves as a member of the Nominating Committee.

Mr Zhong is the founder, Chairman and Chief Executive Officer (CEO) of Yanlord Land Group Limited ("Yanlord"). Since the 1980s, he has founded and established a number of businesses in trading, manufacturing and real estate spanning China, Singapore and Hong Kong. He started Yanlord's property development business in the early 1990s through the setting up of offices in Shanghai and Nanjing, which are now part of the SGX Mainboard listed Yanlord.

Due to his investments in and contribution to various parts of China, Mr Zhong has been awarded with Honorary Citizenships in Nanjing, Zhuhai, Shanwei and Suzhou in China. In 2005, he was also awarded with the Magnolia Silver Award in Shanghai for his contributions to the Municipal City of Shanghai.

Mr Zhong is a council member of several Singapore-China investment and trade committees, including Singapore-Sichuan Trade & Investment Committee, Singapore-Tianjin Economic & Trade Council, Singapore-Jiangsu Cooperation Council, Singapore-Guangdong Collaboration Council and Singapore-China Business Council. He is also the Honorary President of Teochew Poit Ip Huay Kuan, Council Member of Singapore Chinese Chamber of Commerce & Industry, Director of Business China, Vice-President of the Singapore Federation of Chinese Clan Associations, Director of Sun Yat Sen Nanyang Memorial Hall Company Limited and Vice Chairman of Singapore Chinese Cultural Centre.

In 2010, Mr Zhong was named and awarded the Singapore Businessman of the Year 2009. In 2015, he was awarded with the Public Service Medal (Pingat Bakti Masyarakat), a Singapore National Day Award.

MR TEO SER LUCK

Lead Independent and Non-Executive Director

B.Acc.,
Nanyang Technological University, Singapore

Mr Teo Ser Luck joined the Board and was appointed as the Lead Independent Director in September 2017. Mr Teo was last re-elected as a Director in 2018 and serves as Chairman of the Nominating Committee and is a member of the Audit and Risk as well as Remuneration Committees.

Mr Teo is a Member of Parliament (MP) and an entrepreneur. He is currently the Independent Director, Chairman of the Board of BRC Asia Limited and the Non-Executive Independent Deputy Chairman of Serial System Ltd, both listed on the Mainboard of the Singapore Stock Exchange. Mr Teo is also an advisor to the Institute of Singapore Chartered Accountants and Singapore FinTech Association.

Mr Teo has more than 15 years of experience in the private sector managing various companies including DHL Express and also spent 12 years in the public sector. He was elected as an MP for Pasir Ris-Punggol Group Representation Constituency since 2006 and had served as Minister of State for Ministry of Manpower, Mayor of North East District of Singapore, Chairman of Mayors' Committee, Minister of State for Ministry of Trade and Industry, as well as Senior Parliamentary Secretary in Ministry of Community Development, Youth and Sports and Ministry of Transport. He was also the Chairman of Singapore-Shandong Bilateral Business Council and Vice Chairman of Singapore-Jiangsu Bilateral Business Council.

In addition, Mr Teo was the Chairman of National Youth Council as well as Young PAP, youth wing of the People's Action Party, and had led Singapore to win the bid in hosting the world's inaugural Youth Olympic Games in 2010.

Mr Teo was nominated World Economic Forum Young Global Leader and has won business awards in his corporate career as well as outstanding alumni awards in Nanyang Technological University.

MR LEE SUAN HIANG

Independent and Non-Executive Director

B.A. (Hons) Industrial Design Engineering, Manchester Polytechnic, UK; Colombo Plan Scholar

Mr Lee Suan Hiang joined the Board in September 2017 and was last re-elected as a Director in 2018. Mr Lee serves as Chairman of the Remuneration Committee and is a member of the Audit and Risk Committee.

Mr Lee is the Chairman of Anacle Systems Limited and a Director of CITIC Envirotech Ltd., Perennial Real Estate Holdings Limited, Viking Offshore and Marine Limited and MindChamps PreSchool Limited. He is also the President of EDB (Economic Development Board) Society and a Director of Lasalle College of the Arts, The Singapore Lyric Opera Limited and Singapore Institute of Directors.

Mr Lee had a varied career in public service spanning 36 years. He was the Chief Executive of National Arts Council, SPRING Singapore, National Productivity Board, Singapore Institute of Standards and Industrial Research, as well as Deputy Managing Director of EDB and Chairman of PSB Corporation. He was also Chief Executive of Real Estate Developers' Association of Singapore from December 2011 to April 2016.

MR DAVID WONG CHEONG FOOK

Independent and Non-Executive Director

B.A. (Hons) and Master of Arts, University of Cambridge, UK; Chartered Accountant of Singapore

Mr David Wong Cheong Fook joined the Board in January 2011 and was last re-elected as a Director in 2018. Mr Wong serves as Chairman of the Audit and Risk Committee and is a member of the Nominating Committee.

Mr Wong is a Director of PEC Ltd. and Banking Computer Services Private Limited. He is also the Chairman of Republic Polytechnic, a member of the Boards of the Charity Council and the Casino Regulatory Authority of Singapore. In addition, he is a member of the Executive Committee of the Bone Marrow Donor Programme, and a member of the Wesley Methodist Church (local Church Executive Committee).

Mr Wong was a Partner with Ernst & Young LLP and the Managing Director of Wearnes Technology (Private) Limited (now known as WBL Technology (Private) Limited).

BOARD OF DIRECTORS

MR PUA SECK GUAN

Non-Independent and Non-Executive Director

M.Sc. Civil Engineering, Massachusetts Institute of Technology, USA;
B.Sc. Building (First Class Hons), National University of Singapore

Mr Pua Seck Guan joined the Board in September 2017 and was last re-elected as a Director in 2018. Mr Pua serves as a member of the Remuneration Committee.

Mr Pua is an Executive Director and CEO of Perennial Real Estate Holdings Limited, an integrated real estate and healthcare company listed on the Singapore Stock Exchange. Concurrently, he is the Executive Director and Chief Operating Officer of Wilmar International Limited.

Mr Pua has over 30 years of real estate experience in property investment, development and management across various asset classes, as well as in the creation and management of both private and listed real estate funds. Widely regarded as a Real Estate Investment Trust ("REIT") pioneer in Singapore, Mr Pua was instrumental in establishing REITs listed on the Singapore Stock Exchange, such as CapitaMall Trust and CapitaRetail China Trust. Earlier, Mr Pua held concurrent positions as the CEO of CapitaLand Retail Limited, CapitaMall Trust Management Pte. Ltd., and CapitaLand Financial Limited.

MR TAN CHEE KEONG ROY

Group Managing Director
Non-Independent and Executive Director

M.Soc.Sci., M.Sc., National University of Singapore;
B.A., University of Oxford, UK;
FRM; CFA

Mr Tan Chee Keong Roy joined the Board and was appointed as the Group Managing Director in October 2017. His last re-election as a director was in 2018.

Mr Tan has more than 20 years of experience in finance, operations management, business development and strategic planning. Prior to being appointed as Group Managing Director, he was Group Chief Financial Officer responsible for finance and other corporate functions of the Group, as well as the Group's strategic planning, mergers and acquisitions, new business initiatives and divestitures. In addition, he oversaw the Group's Property division. He was WBL Corporation Limited's Group Chief Strategy Officer before it was integrated with the Group in 2013. Before joining the WBL Group in May 2006, he held various positions in OCBC Bank, ST Electronics and PhillipCapital.

KEY MANAGEMENT

The management team is led by Executive Chairman, Mr Zhong Sheng Jian and Group Managing Director, Mr Tan Chee Keong Roy. Assisting Mr Zhong and Mr Roy Tan are five other key executives. Brief particulars of their qualifications and work experience are set out below:

MR SONNY TAN

Group Financial Controller

Mr Sonny Tan is the Group Financial Controller and is responsible for the Group's finance, accounting, tax, treasury and risk management functions.

Mr Tan has more than 20 years of experience in accounting, financial reporting, corporate finance, financial planning and management. He joined the Group in 1996 and held various positions in Finance before assuming the role of Group Financial Controller in 2010. He was involved in the Group's initial public offering of its construction arm in 2011, merger and acquisition as well as equity and debt financing. Prior to joining the Group, he was with Ernst & Young LLP.

Mr Tan holds a Bachelor of Economics from Monash University, Australia. He is a Chartered Accountant of Singapore ("CA (Singapore)") and a CPA (Australia).

MR CHAN HONG WAI

Managing Director Manufacturing Division

Mr Chan Hong Wai is the Managing Director of the Group's Manufacturing division and is responsible for strategy and operations in the precision engineering and electronics manufacturing sectors. He is also the General Manager for Property operations.

Mr Chan has more than 30 years of experience in the precision engineering, electronics and mechanical contract manufacturing, as well as computing and data storage industries. He joined the WBL Group in 2007 as Managing Director of the manufacturing division and in 2013, he became CEO of MFS Technology Ltd, a subsidiary of WBL Group. He joined the Group in 2016 after successfully divesting the assets of and delisting MFS Technology Ltd. He also held various management positions in MMI Holdings Ltd, IBM Data Storage and Conner Peripherals.

Mr Chan holds a Bachelor of Science in Physics from National University of Singapore.

MR ALLAN CHEN

Managing Director China Division

Mr Allan Chen is the Managing Director of the Group's China division and is responsible for the Group's property development, operations management and property management in China. Mr Chen also has oversight of all of the Group's corporate matters within China.

Mr Chen has more than 20 years of experience in auditing, finance, corporate development, as well as real estate development and management in Singapore and China. He joined the WBL Group in 2002 and held positions of Regional Finance Director and Regional Director for WBL's China property division. Prior to joining the WBL Group, he was a regional accountant at IBM Singapore.

Mr Chen holds a Bachelor of Economics from Tianjin University of Finance and Economics, China as well as Master in Business Administration from National University of Singapore. He is a CA (Singapore) and a Fellow member of ACCA (FCCA), UK.

MR STEVEN ONG

CEO Engineering & Distribution Division

Mr Steven Ong is the CEO of the Group's Engineering and Distribution division and is responsible for its strategy and operations.

Mr Ong joined the WBL Group in 1984 as Financial Controller and Company Secretary of Polytek Wearnes Holding Limited. Subsequently, he held the positions of General Manager (Finance & Administration) and Company Secretary of Wearnes International (1994) Limited (now known as WBL International (1994) Limited) and Managing Director of WBL's trading division. Prior to joining the WBL Group, he was with Price Waterhouse (now known as PricewaterhouseCoopers LLP).

Mr Ong holds a Bachelor of Commerce from University of New South Wales, Australia. He is a Fellow of CA (Singapore) and a Fellow of CPA (Australia).

MR RYAN SUN

General Manager Hospitality Division

Mr Ryan Sun is the General Manager of the Group's Hospitality division which manages the *Park Avenue* chain of hotels and serviced apartments with a total 788 hotel keys, as well as Serviced Offices and Convention Centre businesses in Singapore.

Mr Sun joined the Group's facility management business in 1991 as the Manager in Taiwan and subsequently the General Manager in Singapore. He became the country head for the Group's environmental engineering investments in 2006. In 2010, he joined the Group's Hospitality division in Singapore.

Mr Sun holds a Bachelor of Arts in Applied Psychology from Fu-Jen Catholic University of Taipei, Taiwan and Executive Master of Business Administration from Nanyang Technological University, Singapore.

KEY PROPERTY PORTFOLIO

ASSET MANAGEMENT

UE BIZHUB CITY

Development type:	Mixed-use
Location:	Clemenceau Avenue, Singapore
Description:	18-storey office building with 2 basement carpark levels, 15-storey block comprising serviced apartments and serviced offices, as well as 4-storey shopping podium
Tenure of land:	929 years leasehold from 1/1/1953; remaining lease of 863 years
Land area (sq ft):	355,023
Valuation as at 31 December 2018:	S$729.9 million
Net lettable area (sq ft):	Commercial: 307,000 (est) Retail: 79,000 (est)
Selected tenants:	Commercial: Estee Lauder, Kao Corporation, Bridgestone Asia Pacific, Moet Hennessy Retail: Cold Storage, Superland Pre School
Group's effective interest:	100%
Held by:	United Engineers Limited

MIXED-USE DEVELOPMENT AT ONE-NORTH

Development type:	Mixed-use
Location:	Buona Vista Road/North Buona Vista Road, Singapore
Description:	Retail: *Rochester Mall* Hospitality: *Park Avenue Rochester*
Tenure of land:	99 years less 1 day leasehold from 2/2/2005; remaining lease of 85 years
Land area (sq ft):	Retail: 95,940 (inclusive of residential development) Hospitality: 43,242
Valuation as at 31 December 2018:	S$303.8 million (Retail and Hospitality)
Net lettable area (sq ft):	65,000 (est) (*Rochester Mall*)
Selected tenants:	The Learning Lab, Julia Gabriel Centre for Learning, Maplebear Childcare
Group's effective interest:	100%
Held by:	UE One-North Developments Pte. Ltd.

UE BIZHUB WEST

Development type:	Industrial and Commercial
Location:	Alexandra Road, Singapore
Description:	12-storey commercial building and 8-storey industrial building
Tenure of land:	Freehold
Land area (sq ft):	191,484
Valuation as at 31 December 2018:	S$400 million
Net lettable area (sq ft):	462,000 (est)
Selected tenants:	Hewlett-Packard Enterprise
Group's effective interest:	100%
Held by:	UE Development (Alexandra) Pte. Ltd.

UE BIZHUB CENTRAL

Development type:	Industrial
Location:	Ang Mo Kio Street 64, Singapore
Description:	4-storey high-tech facility with ancillary office as well as 7-storey high-tech facility with ancillary office and basement carpark
Tenure of land:	30 years leasehold from 1/4/2014 and 30 years leasehold from 1/2/2014; remaining lease of 26 years
Land area (sq ft):	258,068
Valuation as at 31 December 2018:	S$36 million
Net lettable area (sq ft):	289,000 (est)
Selected tenants:	Apple
Group's effective interest:	100%
Held by:	United Engineers Limited

Development type:	Commercial
Location:	Anson Road, Singapore
Description:	23-storey freehold commercial development located at the junction of Anson Road and Palmer Street
Tenure of land:	Freehold
Land area (sq ft):	28,162
Valuation as at 31 December 2018:	S$440 million
Net lettable area (sq ft):	202,000 (est)
Selected tenants:	Collision 8, JTB, Obayashi Singapore
Group's effective interest:	100%
Held by:	UE Development (Anson) Pte. Ltd.

UE BIZHUB TOWER

KEY PROPERTY PORTFOLIO

RETAIL

UE SQUARE SHOPPING MALL

Location:	Clemenceau Avenue, Singapore
Description:	4-storey shopping podium, part of *UE BizHub CITY*
Net lettable area (sq ft):	79,000 (est)
Selected tenants:	Cold Storage, Superland Pre School

ROCHESTER MALL

Location:	Buona Vista Road/North Buona Vista Road, Singapore
Description:	3-storey shopping mall, part of the mixed-use development at one-north
Net lettable area (sq ft):	65,000 (est)
Selected tenants:	The Learning Lab, Julia Gabriel Centre for Learning, Maplebear Childcare

THE SELETAR MALL*

Location:	Fernvale Road, Singapore
Description:	4-storey shopping mall
Net lettable area (sq ft):	188,000 (est)
Selected tenants:	Shaw Theatres, Hai Di Lao Hot Pot, FairPrice Finest

* The Group has a 30% stake

KEY PROPERTY PORTFOLIO

HOSPITALITY

PARK AVENUE CLEMENCEAU

Location: Clemenceau Avenue, Singapore

Description: Serviced apartments and serviced offices, part of *UE BizHub CITY*

No. of rooms: 150

PARK AVENUE ROCHESTER

Location: Buona Vista Road/North Buona Vista Road, Singapore

Description: Hotel and serviced offices, part of the mixed-use development at one-north

No. of rooms: 351

PARK AVENUE CHANGI*

Location: Changi Business Park, Singapore

Description: Hotel and serviced offices, part of *UE BizHub EAST*

No. of rooms: 251

PARK AVENUE ROBERTSON

Location: Kim Yam Road, Singapore

Description: Serviced apartments

No. of rooms: 36

* The Group divested *UE BizHub EAST* in November 2013 but continues to operate the hotel and serviced offices business under *Park Avenue Changi*.

KEY PROPERTY PORTFOLIO

DEVELOPMENT

SINGAPORE

SITE AT DAIRY FARM ROAD

Development type:	Residential with Commercial at 1st storey
Location:	Dairy Farm Road, Singapore
Description:	Proposed condominium development
Tenure of land:	99 years leasehold from 5/12/2018
Land area (sq ft):	211,486
Gross floor area (sq ft):	444,129
Group's effective interest:	100%
Held by:	UE Dairy Farm Pte. Ltd.

CHINA

CHENGDU ORCHARD VILLA

Development type:	Residential
Location:	Chengdu, China
Description:	1,331 units of semi-detached villas, townhouses and terrace houses
Tenure of land:	70 years leasehold from 18/9/2003
Land area (sq ft):	3,437,605
Gross floor area (sq ft):	3,138,287 including Completed: 1,839,772 Under development: 432,207 To be developed: 866,308*
Group's effective interest:	69.1%
Held by:	Chengdu Huaxin International Realty Co., Ltd.

* Subject to change

CHINA

SHENYANG ORCHARD SUMMER PALACE

Development type:	Mixed-use
Location:	Shenyang, China
Description:	City complex comprising a shopping mall, 348 units of Grade A offices, 408 units of serviced apartments and 448* units of residential apartments
Tenure of land:	Residential: 50 years leasehold from 4/9/2009 Commercial: 40 years leasehold from 4/9/2009
Land area (sq ft):	360,784
Gross floor area (sq ft):	2,674,197 including Completed: 1,601,576 Under development: 1,072,621*
Group's effective interest:	69.1%
Held by:	Shenyang Summer Palace Property Development Co., Ltd.

CHINA

SHANGHAI OLYMPIC GARDEN

Development type:	Residential
Location:	Shanghai, China
Description:	5,826* units of residential apartments
Tenure of land:	70 years leasehold from 15/12/2005
Land area (sq ft):	5,641,189
Gross floor area (sq ft):	6,490,348 including Completed: 5,952,148 To be developed: 538,200*
Group's effective interest:	31.1%
Held by:	Shanghai Olympic Garden Property Development Co., Ltd.

* Subject to change


park avenue
CHENNAI

REVIEW OF OPERATIONS

REVIEW OF OPERATIONS

Ongoing construction for Phase 5 of Chengdu Orchard Villa

PROPERTY RENTAL AND SERVICES

Commercial and industrial property assets managed by United Engineers Developments Pte. Ltd. ("UED") comprising *UE BizHub CENTRAL*, *UE BizHub CITY*, *UE BizHub TOWER* and *UE BizHub WEST* achieved healthy committed occupancies with positive rent reversion.

Leasing demand by the information and communication technology sector, and co-working space continued to show strong growth. UED secured two new tenants, namely IQVIA and Wan Hai Shipping at *UE BizHub TOWER*. Good leasing interest also underpinned *UE BizHub CITY* in 2018, with new tenancies, renewals and committed expansions by the existing tenants taking up 24% of net lettable office space.

The Group's portfolio of retail malls comprising *UE Square Shopping Mall*, *Rochester Mall* and *The Seletar Mall* also enjoyed healthy occupancies despite the challenges faced by the Singapore retail sector. *Rochester Mall* has secured several new tenants, namely Bump Hair Design, Attitude Inn and Booze Tavern, Sixtyminutes, Yong In Taekwondo and Bricks 4 Kids. These new tenants will add diversity to the existing retail mix for *Rochester Mall*.

During the year, UED initiated asset improvement works at *UE BizHub TOWER* which was well received by the existing and prospective tenants. Going forward, UED will continue with its planned upgrading works at *UE Square Shopping Mall* and *UE BizHub CITY*, as well as exploring other asset enhancement initiatives and acquisition opportunities to further enhance recurring rental income.

PROPERTY DEVELOPMENT

UED was awarded the tender for a land parcel at Dairy Farm Road at S$368.8 million (S$830.40 psf ppr) on 7 September 2018. The 99-year leasehold site, which has a land area of 19,648 square metres and a maximum permissible gross floor area of 41,260 square metres, is within walking distance from Hillview MRT Station.

The upcoming development will consist of residential with commercial spaces at the first storey, including a gourmet supermarket, childcare centre, food court, food and beverage outlets and retail shops, offering great convenience to the residents and community within the vicinity. Nestled in the heart of the city's most forested enclave, it is an ideal retreat from the hustle and bustle of the city.

The site is easily accessible via Bukit Timah Expressway (BKE) and Upper Bukit Timah Road. It is also in close proximity to *Dairy Farm Nature Park*, *Bukit Timah Nature Reserve*, *Zhenghua Nature Park*, as well as *Chestnut Interim Park* and *Central Catchment Nature Reserve*.

The new round of property market cooling measures announced in July 2018 by the Singapore government may add to the uncertainty of the private residential market and weigh on the buyers' sentiments in the near term. This may nonetheless help to maintain a stable and sustainable market in the longer run. The Group will continue to exercise prudence and selectively looking for suitable property development opportunities in Singapore to increase its land bank over time.

In China, the Group's China property division operated under Huaxin International continued with the sales and leasing of its office units at *Shenyang Orchard Summer Palace*. As of 31 December 2018, approximately 50% of office units were sold or leased. Residential blocks with land area of 18,488 square metres are to be developed, subject to government approval on development plan.

Chengdu Orchard Villa's Phase 5 (comprising 231 townhouses) received strong response despite the ongoing property cooling measures in China. 224 units were snapped up by home buyers within two months of its official launch in October 2018 and the balance seven units were fully sold in January 2019. Correspondingly, *Chengdu Orchard Villa* won Quality Service Award 2018 at the China Real Estate Billboard ceremony (中国房产风云榜组委会) for its good product quality and service excellence, as well as Ecological Liveable Real Estate Award 2018 and Top Ten Marketing Sales Award 2018 at the Leju (Sichuan) Innovation Summit (乐居 (四川) 创新峰会). It was also presented with Chengdu Real Estate Liveable Demonstration Project Award 2018 at the 15th China Real Estate Network Popularity Awards (第十五届中国房地产网络人气榜颁奖典礼), in recognition of the development incorporating about 14,000 square metres of lush landscaped garden including swimming pool and tennis

court within its built-up environment. In addition, *Chengdu Orchard Villa* also won Chengdu Real Estate Classic Habitat Model Project Award 2018, an award by Sohu.com for achieving the first ranking in sales among low-density housing projects in Chengdu, and Real Estate Popularity Award 2018 for having the highest number of visits by prospective home buyers at the Chengdu government online balloting platform (成都摇号助手).

Shanghai Olympic Garden has completed the relocation and demolition of farmers' houses on the remaining Phase 3.2 land in March 2018. The construction is anticipated to commence in 2019 upon obtaining the government approval for the revised development plan.

HOSPITALITY

The hospitality division of the Group comprising *Park Avenue Rochester*, *Park Avenue Changi*, *Park Avenue Clemenceau* and *Park Avenue Robertson*, recorded high occupancies throughout the year despite rising competition and increase in hotel room supply in Singapore.

Park Avenue Rochester has completed its latest asset enhancement programme with the addition of a lounge, three meeting & function rooms and 21 units to its serviced offices at Level 2 in anticipation of the growing demand at one-north. As part of the Group's continuous efforts to reduce carbon footprint, *Park Avenue Changi* and *Park Avenue Rochester* have introduced paperless e-signature system for guests' check-in and check-out, as well as reduce the usage of single-use plastic bottles through implementation of high quality in-room water filter system.

Park Avenue won several accolades in different areas during the year, including three Outstanding Star Awards, ten Star Awards, nine Gold Awards and 27 Silver Awards in recognition of its quality service at the EXSA 2018. It was also presented with four Service Gold Awards at the National Kindness Award ceremony and achieved BizSAFE STAR, the highest accreditation given to an organisation for attaining the highest workplace safety and health capabilities. Other awards received included the Hotel Security Excellence Award 2018 by Singapore Hotel Association, National Crime Prevention Council and Singapore Police Force for its contribution towards high security standards in Singapore's hotel industry, as well as the Fire Safety Award 2018 by Singapore Civil Defence Force for its commitment towards maintaining high fire safety standards in its premises.

Park Avenue Rochester has completed its latest asset enhancement programme in anticipation of the growing demand at one-north

In addition, *Park Avenue* was recognised as an official Human Capital Partner by the Human Capital Partnership Programme, a tripartite initiative that brings together a community of employers who are committed to grow their businesses and stay competitive by having progressive employment practices, and developing their human capital. As part of the Leadership Development Initiative supported by Singapore Tourism Board, *Park Avenue* rolled out a 6-month job rotation for senior management positions.

Park Avenue was recognised as an official Human Capital Partner

REVIEW OF OPERATIONS

ENGINEERING

O'Connor's Singapore Pte Ltd ("O'Connor's Singapore") completed key projects for Changi Airport Group and other public sector clients during the year, including network infrastructure and saw improved sales of security products. For its Medical & Security product distribution business, O'Connor's Singapore focussed on offering solutions and services to consumers on medical products where patient safety, device design and border control security are their primary concerns whilst the Security & Sensor business has strategically positioned itself to capture a larger share in the vertical market of national security, public safety and smart cities/ intelligent buildings. The Satellite Communications business continued to venture into niche markets with high demands, bringing about stable growth and good investment returns.

O'Connor's Engineering Sdn Bhd ("O'Connor's Malaysia") had a challenging year due to dampened market sentiments caused by the volatility of oil prices, the deferment of projects by the clients, as well as the change in Malaysia government. Although these have affected sales to a large extent, O'Connor's Malaysia managed to continue to win projects from oil and gas, financial and telecommunications sectors. Projects completed during the year included the supply and implementation of audio and entertainment lighting systems for *Zouk* and *Empire* for Genting Malaysia, and the setting up of virtual labs powered by *Spirent* systems for Telekom Malaysia.

O'Connor's (Thailand) Co., Ltd ("O'Connor's Thailand") saw improved sales in measurement instruments with the new factory set up by the clients and the introduction of new products such as *Zygo*, 3D optical profiler and laser interferometer. However, the sales performance of the Broadcast and Multimedia business was affected by challenging market conditions. To widen its product offerings, O'Connor's Thailand has started distributing the highly sought-after *Hexagon* metrology coordinate measuring machines (CMMs) for Hexagon, one of the world's leading global CMM providers of information technologies.

DISTRIBUTION

The sales performance of Welmate was affected by the weak performance and contraction of the construction industry in Singapore. During the year, Welmate delivered a number of projects. They included the supply of *Promatect* fire-resistant boards to MRT (Mass Rapid Transit) Thomson-East Coast Line (TEL) Stages 1, 2 & 3; high impact fire-rated demountable partitions to TEL *Mandai Depot*; fire-rated ductings and fire-rated partitions & ceilings to the new *State Courts*, *Paya Lebar Quarter* mixed development and *Jewel at Changi*; *Rockfon* acoustic ceiling products to *Kampung Admiralty* and Ministry of Foreign Affair, as well as *Equitone* wall cladding panels to *Robinson Tower*, *Masjid Darul Ghufran Mosque* in Tampines and landed properties. Welmate managed to secure a larger share of housing projects from Housing & Development Board to supply *Acotec* concrete wall panels despite intense competition in Singapore. In anticipation of market upturn in 2019, Welmate has started sourcing for new environmental green products, wood wool ceiling and wall paneling, as well as low profile network floor products to increase its product offerings.

"To widen its product offerings, O'Connor's Thailand has started distributing the highly sought-after *Hexagon* metrology coordinate measuring machines (CMMs) for Hexagon, one of the world's leading global CMM providers of information technologies."

Installation of audio and entertainment lighting systems for Genting Malaysia

Polytek Engineering experienced challenging times in Singapore in view of the ongoing US-China trade war which resulted in many manufacturing plants and boiler facilities operating and running at reduced production/capacity. Nonetheless, Polytek Engineering secured a major contract to supply laundry plant for Systematic, and sold the first unit of *BONO* thermal oil heater, known for its energy-efficient design and competitive pricing, to Texas Petrolchem. It also embarked on the project to install clean bags rail system relocating *Chicago* and *Milnor* laundry equipment to Systematic plant. Going forward, Polytek Engineering will move towards supplying smaller washers and extractors with capacities of between 12kg and 26kg, and continue to work closely with consultants in exploring ways to increase efficiency via boiler and controls modifications.

Wet Plant - Pacific Silica's main sand classifying plant

First installation of new product BONO thermal oil heater at Texas Petrolchem

Far East Motors' sales was affected by the slowdown in motor workshop activities in the second half of the year, largely due to substantial reduction in the number of COEs (Certificate of Entitlements) and the offloading of cars by UBER in the second-hand market, as well as the deferred fuel dispensing pump replacement program by the major client. However, parts sales of *Military Land Rover* continued to improve and Far East Motors will work with ST Kinetics on the stocking of essential parts. During the year, Far East Motors expanded its product range including *CORMAC* tyre repair equipment and *S-Tec* emission extraction systems to meet the demand from workshops and fleet owners. It will continue to work with consultants and builders on public service tenders, enhance the existing bus depots and refine the infrastructure of automatic car wash machines.

Pacific Silica achieved strong sales driven mainly by increased production of specialty dried sands and the bustling construction industry in Queensland, Australia. During the year, Pacific Silica also added more assets including a dredge, and began a new business line to construct and operate concrete batching plant, as well as purchased additional mining lease in Bundaberg, Queensland. These initiatives will boost the sales and business going forward. In addition, Pacific Silica was awarded AS4801 Occupational Health and Safety Management System accreditation.

"Pacific Silica achieved strong sales driven mainly by increased production of specialty dried sands and the bustling construction industry in Queensland, Australia."

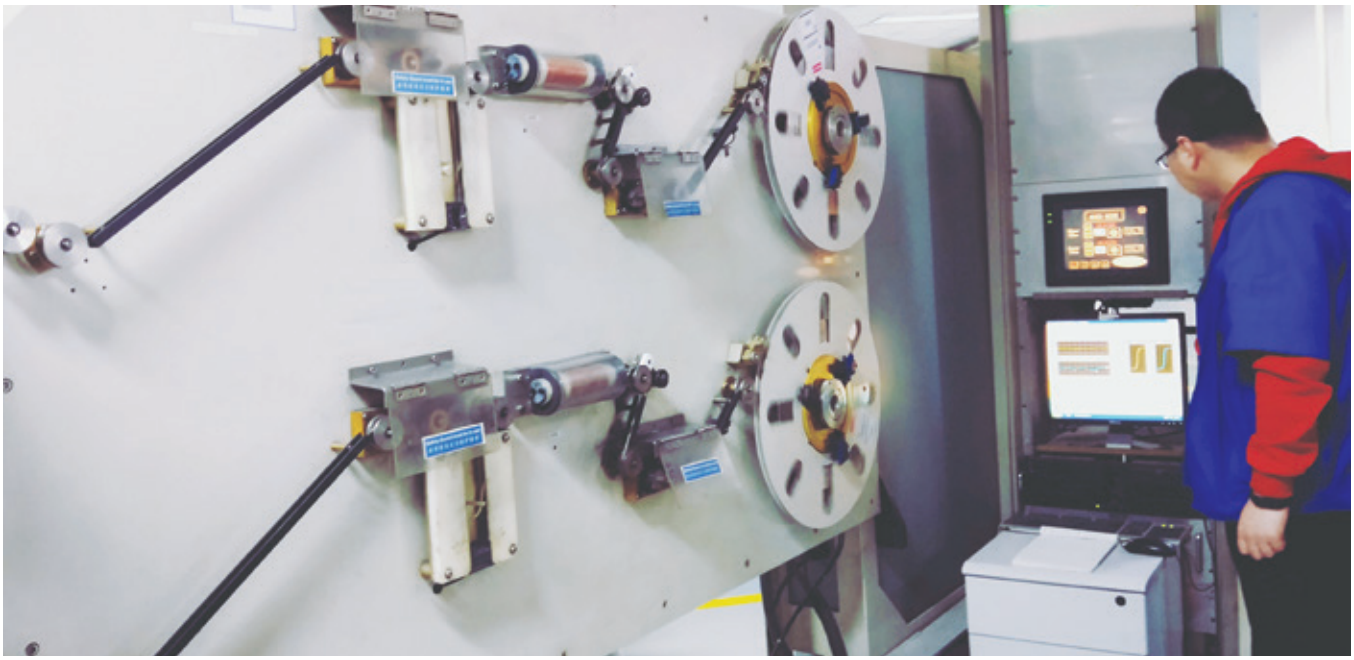
MANUFACTURING

The Group's manufacturing division recorded lower revenues mainly due to its precision engineering business in China, where the shortage of multilayer ceramic capacitors worldwide has affected the production of selected cars, and the ongoing US-China trade war has resulted in consumers to be more cautious in their spending. The situation was exacerbated by the continued delay in launching new replacement programs as car manufacturers reduced inventories in response to a slowing demand. Despite the revenue shortfall, the Group's investments in automation, continued focus on quality and productivity improvements have kept operating costs down. It has also upgraded its environment controls in anticipation of more stringent Chinese regulations.

Automated assembly of variable inertia flywheel for automobiles

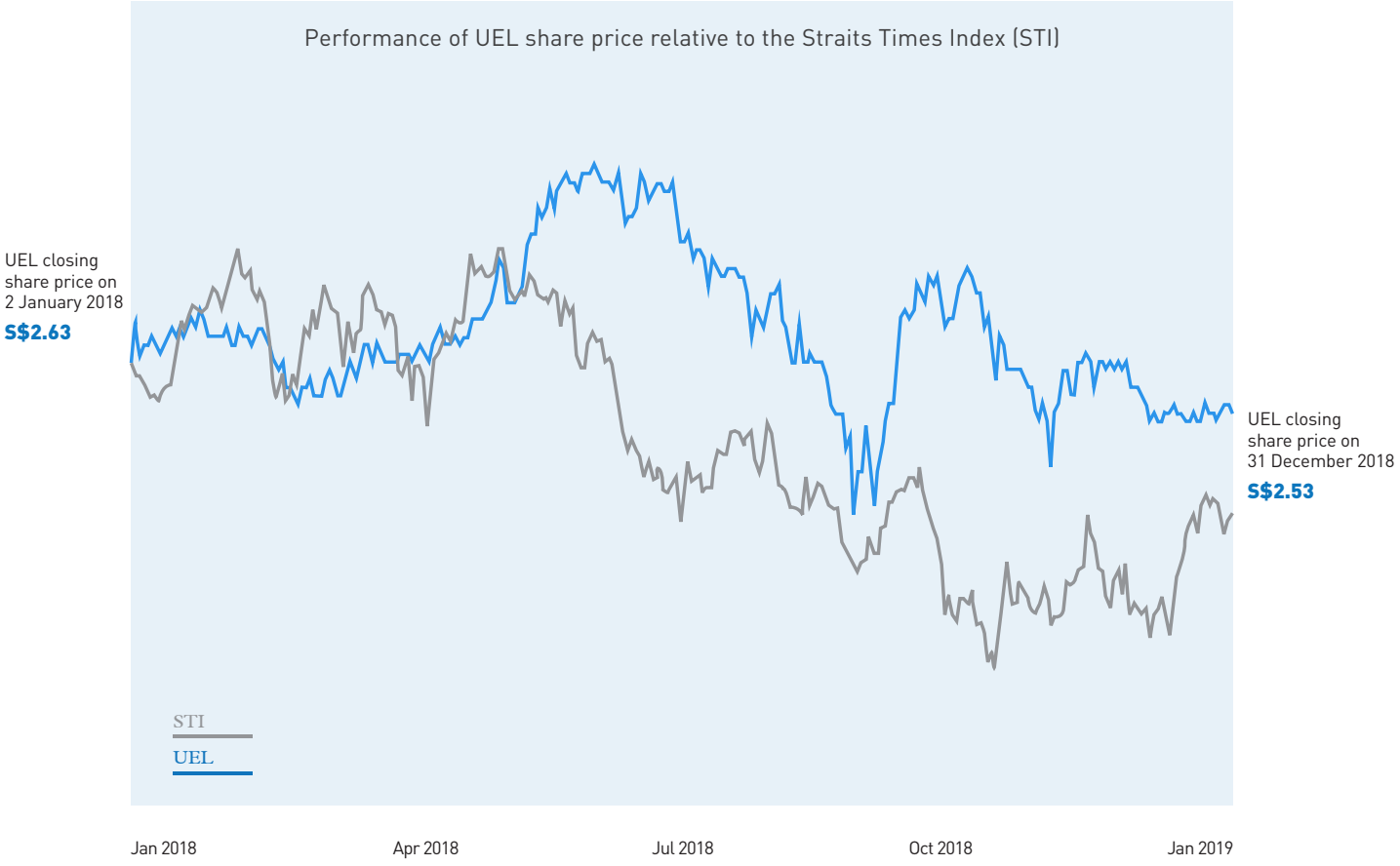
The Group's components business in China continued to transform and move towards a low-volume, high-mix model whilst increasing automation and value-add amid rising labour costs and scarcity of production operators. It has made good progress in diversifying into non-traditional business sectors, particularly the automotive and electronics sectors. It will continue to explore other opportunities, including sub and full assemblies, to strengthen its value proposition and improve technical capabilities to adapt and respond to the evolving business landscape.

The Group's components business in the United Kingdom continued to perform well by leveraging on its domain knowledge in connectors and ability to provide bespoke solutions, acquiring new customers in aerospace and medical sectors, as well as widening its product offerings. Some new programs have gained momentum with an increase in mass production orders. Production equipment was also refreshed to improve product consistency and these investments will facilitate the automation initiatives which the division has embarked on.



Technician checking a resonator annealing machine

INVESTOR RELATIONS



The Group is committed to building investor confidence and promote shareholder engagement, which has been the key focus of its Investor Relations function. With this firm commitment, the Group communicates to its shareholders and investment community via clear, fair and balanced disclosure of material information in a regular, timely and effective manner.

The Group's financial and operational performance, and all announcements relating to the Group's other material matters are readily available on its corporate website (www.uel.sg) and on SGXNET. There is a dedicated investor relations section on the corporate website which provides corporate information and financial results updates. Investors can also sign up online for email alerts to obtain latest updates and announcements by the Group.

During the year, Management engaged with analysts and the media, as well as existing and prospective investors through emails, one-on-one-meetings, conference calls and roadshows. In February, the Group held an Extraordinary General Meeting for the proposed interested party transaction with Yanlord Perennial Investment (Singapore) Pte. Ltd. arising from the Group's proposed voluntary unconditional cash offer for the acquisition of all of the issued ordinary stock units of WBL Corporation Limited which is not already owned, controlled or agreed to be acquired by the Group; but the ordinary resolution was not carried. At the 104th AGM held in April, all resolutions were passed and the results were posted on the above-mentioned platforms.

On 7 September 2018, the Group was awarded a 99-year leasehold, 19,648 square metres land site at Dairy Farm Road at the tender price of S$368.8 million (S$830.40 psf ppr). It subsequently entered into secured term loan facilities of S$333 million in November to partially finance the acquisition of the site, the differential premium, construction and other related costs in respect of the development of the site.

UEL's share price closed at S$2.63 on 2 January 2018 and ended the year closing at S$2.53 on 31 December 2018.

A first and final one-tier tax exempt ordinary dividend of 3 Singapore cents per ordinary stock unit, and a preference dividend of 7.5 Singapore cents per preference share were proposed for the financial year ended 31 December 2018.

CORPORATE SOCIAL RESPONSIBILITY

The Group remains committed to improving the socioeconomic well-being of its stakeholders by ensuring that corporate social responsibility (CSR) practices are integral to its business operations. It helps countries it operates in through meaningful ways by giving back to society, embracing sustainable products in its operations and developing sustainably-built and marketable properties with environmentally-friendly features.

The Group organised an early Easter party for the children of Canossaville Student Care, an inclusive student care centre in the Aljunied-MacPherson area. Apart from sponsoring new uniforms and donating cash, the staff mingled heartily with the children to piece together adorable rabbit hats and colourful bookmarks. The children were also treated to a magical performance, and walked away with prizes and whimsical balloon sculptures.

The staff mingled heartily with the children of Canossaville Student Care to piece together adorable rabbit hats and colourful bookmarks

Park Avenue collaborated with three special needs schools – Canossian School, Rainbow Centre and Metta School, where each school was assigned a theme - Futurist Hotel, Eco Hotel and Business of Happiness for an art competition. The final art pieces are currently displayed at the lobbies of *Park Avenue Rochester*, *Park Avenue Changi* and *Park Avenue Clemenceau*, as well as printed on *Park Avenue* 2019 calendars and Thank You cards. In addition, *Park Avenue* also participated in the Community Chest Heartstrings Walk 2018 and the SHARE programme.

The Group continues collaborating with Metta School to offer on-the-job training opportunities for students with special needs and expose them to the real-life working environment. These students may be offered permanent full-time job positions if the requirements are met. One of the Metta students has been working with *Park Avenue* for more than five years.

O'Connor's Singapore staff spread holiday cheers for the day care clients at the New Horizon Centre (Toa Payoh), a day care centre run by the Alzheimer's Disease Association (ADA). The Centre adopts a patient-centric approach to manage its patients in the early and moderate stages of dementia. Through playing games and interacting with the ADA clients, the staff walked away enriched with a better understanding of dementia and those afflicted by it. In Malaysia, O'Connor's continued to organise the blood donation drive and donated necessities to Shelter Home

Park Avenue collaborated with three special needs schools where each school was assigned a theme for an art competition

for Children (Petaling Jaya), a home for abused, abandoned, neglected or at-risk children.

The Group also carried out CSR efforts in China by raising more than 3,500 books and learning materials for Liangshan Yi Autonomous Prefecture primary school children. The ethnic Yi nationality are among the poorest in China. They live in mountainous areas and financial assistance from the government is not easily accessible. As a result, the children have limited education opportunities and on average, every child barely reads more than five books per year. Through this worthy cause, the Group supports one of the primary schools in establishing the first library to fulfil the children's dreams to be able to read more books and increase their general knowledge.

> "The Group helps countries it operates in through meaningful ways by giving back to society, embracing sustainable products in its operations and developing sustainably-built and marketable properties with environmentally-friendly features."

The Group raised more than 3,500 books and learning materials for Liangshan Yi Autonomous Prefecture primary school children

The Group employees with Liangshan Yi Autonomous Prefecture children

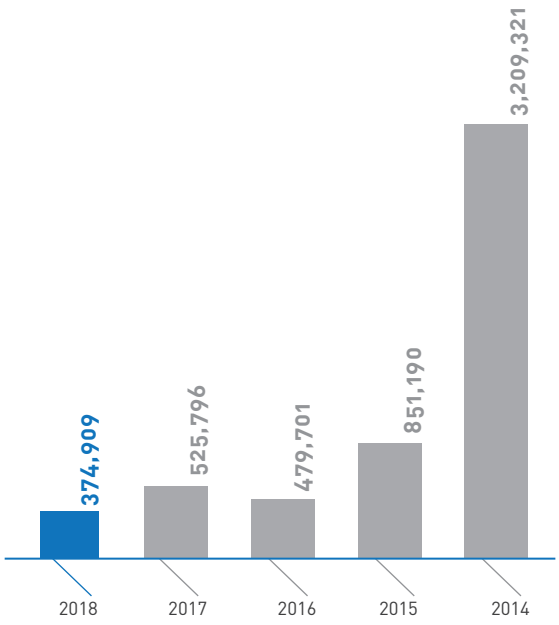
5-YEAR FINANCIAL PROFILE OF THE GROUP

	2018	2017 [2]	2016 [3]	2015 [3]	2014 [4]
Income Statement ($000)					
Continuing operations [3,4]					
Revenue	**374,909**	525,796	479,701	851,190	3,209,321
Profit before Tax	**58,298**	102,957	29,513	63,446	75,754
Income Tax Expense	**(5,300)**	(19,508)	(8,773)	(512)	(35,267)
Profit Net of Tax	**52,998**	83,449	20,740	62,934	40,487
Continuing & discontinued operations					
Profit Attributable to Owners of the Company, Net of Tax (Net Profit)	**55,760**	87,182	140,581	102,210	123,583
Statement of Financial Position ($000)					
Property, Plant and Equipment	**141,385**	148,277	162,909	359,385	389,315
Investment Properties	**1,927,740**	1,908,627	1,859,418	1,857,542	1,847,071
Other Non-Current Assets	**209,599**	222,520	234,032	298,437	328,741
Net Current Assets [1]	**1,111,653**	866,548	1,279,673	1,483,667	1,715,439
	3,390,377	3,145,972	3,536,032	3,999,031	4,280,566
Stockholders' Equity	**1,926,901**	1,901,434	1,883,007	1,830,603	1,803,846
Non-Controlling Interest	**283,985**	306,136	311,885	556,864	576,348
Short and Long-Term Borrowings	**1,088,713**	831,021	1,191,448	1,443,761	1,716,909
Other Non-Current Liabilities	**90,778**	107,381	149,692	167,803	183,463
	3,390,377	3,145,972	3,536,032	3,999,031	4,280,566
Net Borrowings ($000)	**837,461**	446,310	567,472	899,634	1,066,662
Net Debt to Equity (times)	**0.43**	0.23	0.30	0.49	0.59
Per Stock Unit					
Earnings per Stock Unit (cents)					
• Profit Attributable to Ordinary Stockholders after Preference Dividend	**8.7**	13.7	22.0	16.0	19.4
Ordinary Dividends					
• First and final (cents)	**3.0** *	4.0	5.0	5.0	5.0
• Special (cents)	**-**	-	7.0	3.0	5.0
• Cover (times)	**2.90**	3.43	1.83	2.00	1.94
Net Tangible Assets [5] ($)	**3.13**	3.09	3.05	2.93	2.88

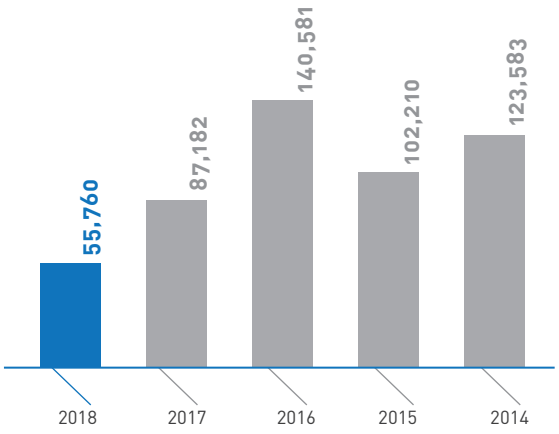
1 In arriving at net current assets, short-term borrowings have been excluded
2 2017 comparative figures have been re-presented to take into account the retrospective adjustments arising from the adoption of the new financial reporting framework, Singapore Financial Reporting Standards (International)
3 As presented in 2016 Annual Report
4 As presented in 2014 Annual Report
5 Based on total number of issued stock units excluding the number of stock units held by a subsidiary
* Subject to shareholders' approval

KEY FINANCIAL HIGHLIGHTS

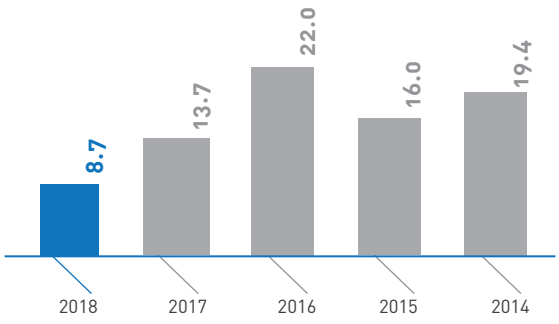
GROUP REVENUE ($000)



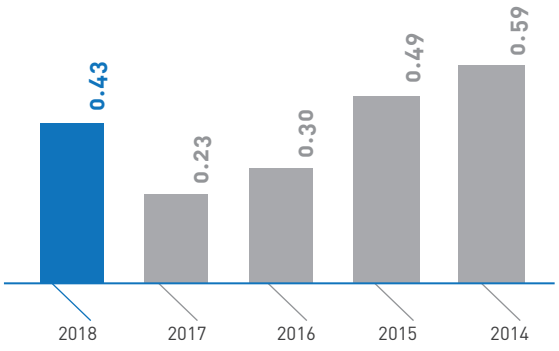
GROUP NET PROFIT ($000)



EARNINGS PER STOCK UNIT (CENTS)

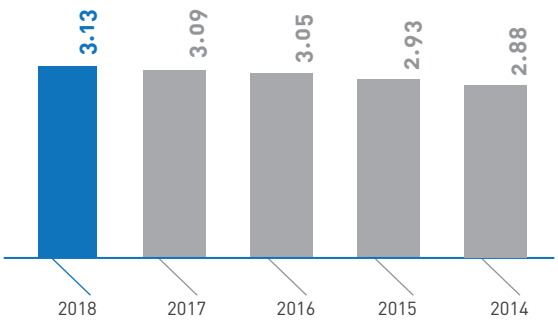


NET DEBT TO EQUITY (TIMES)

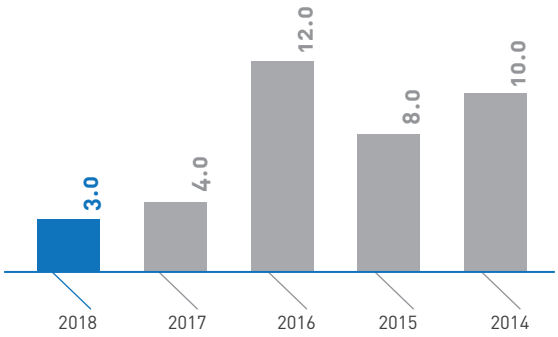


KEY FINANCIAL HIGHLIGHTS

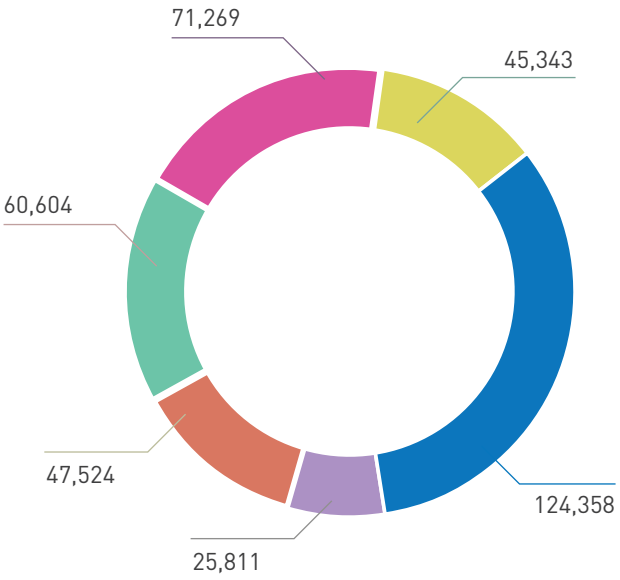
NET TANGIBLE ASSETS PER STOCK UNIT ($)



DIVIDEND PER ORDINARY STOCK UNIT (CENTS)

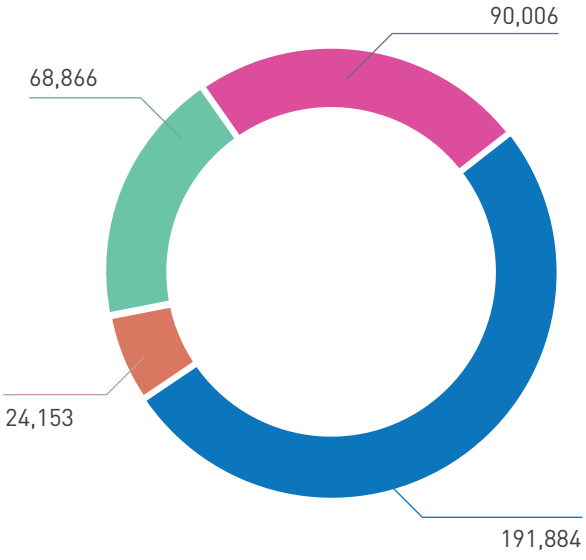


REVENUE BY BUSINESS SEGMENTS ($000)



- Property Rental & Hospitality
- Property Development
- Distribution
- Engineering
- Manufacturing
- Corporate Services & Others

REVENUE BY GEOGRAPHIC SEGMENTS ($000)



- Singapore
- ASEAN (excluding Singapore)
- Asia (excluding ASEAN)
- Others (or non-Asian countries)

REPORT ON CORPORATE GOVERNANCE

The Board of Directors (the "Board" or the "Directors") of United Engineers Limited (the "Company", and together with its subsidiaries, the "Group") is committed to maintaining high standards of corporate governance and transparency within the Group. The Group has adopted and complied with, wherever feasible, the principles and guidelines of the Code of Corporate Governance 2012 ("Code 2012"). Pursuant to Rule 710 of the Listing Manual of Singapore Exchange Securities Trading Limited (the "SGX-ST"), we set out below the details of our governance practices and provide explanations for deviations from the Code 2012 within this Annual Report.

BOARD MATTERS

PRINCIPLE 1: THE BOARD'S CONDUCT OF AFFAIRS

The Board is entrusted with the responsibility for effective oversight of the management of the Group's businesses and affairs. The Board works closely with the management to promote the success of the Group. Apart from its statutory responsibilities, the principal functions of the Board include, but are not limited to, the following:

(i) setting the overall strategic directions and long-term goals of the Group, and ensuring that the financial and human resources are allocated in an optimal manner for the Group to meet its objectives;

(ii) approving major projects, policy decisions, annual budgets, major investment funding and major restructuring of core businesses;

(iii) establishing a framework of prudent and effective controls so that all risks faced by the Group in its business operations can be effectively and comprehensively assessed and managed;

(iv) monitoring and reviewing management's performance and the financial performance of the Group; and

(v) setting the Group's values and standards, and ensuring that obligations to shareholders and other stakeholders are understood and met;

(vi) identifying key stakeholder groups and recognising that their perceptions affect the Company's reputation; and

(vii) considering sustainability issues, including environmental and social factors, as part of its strategic formulation.

The Directors are required to objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company.

The Board has formed various board committees, namely, the Audit & Risk Committee ("ARC"), the Nominating Committee ("NC") and the Remuneration Committee ("RC") (collectively, the "Board Committees"). The Board has delegated specific responsibilities to each of these Board Committees. These Board Committees have been formed, and their powers, functions and duties are guided by their specific terms of reference.

The composition of the Board Committees for the financial year ended 31 December 2018 ("FY 2018") is tabulated below:

Name of Director	ARC	NC	RC
Mr Zhong Sheng Jian		M	
Mr Teo Ser Luck	M	C	M
Mr Lee Suan Hiang	M		C
Mr David Wong Cheong Fook	C	M	
Mr Pua Seck Guan			M

Denotes: C – Chairman M - Member

The Board meets at least four (4) times a year for regular scheduled meetings, and as often as may be required to deal with *ad-hoc* matters. The Constitution of the Company (the "Constitution") allows for telephonic and conference meetings.

The attendance records of the Directors at meetings of the Board and the Board Committees in FY 2018 are set out below:

	Board	ARC^	NC	RC
No. of meetings held	4	6	3	2
No. of meetings attended				
Mr Zhong Sheng Jian	4	6*	3	2*
Mr Teo Ser Luck	4	6	3	2
Mr Lee Suan Hiang	4	6	3*	2
Mr David Wong Cheong Fook	4	6	3	2*
Mr Pua Seck Guan	4	6*	3*	2
Mr Tan Chee Keong Roy	4	6#	3#	2#

Notes:

^ Enterprise Risk Management ("ERM") forms part of the ARC's scope and responsibilities. During the year, the ARC held two (2) separate meetings to discuss ERM matters specifically.
* By invitation
# In attendance

The Group has adopted internal guidelines on matters that require the Board's approval. These principally include broad policy decisions, annual budgets, material acquisitions and disposals of assets, significant legal and financial issues, major tenders, announceable matters, interested person transactions ("IPTs"), appointment and termination of Directors and key management staff and other matters as may be considered by the Board from time to time.

Any newly appointed Director is provided with an information package and a formal letter which sets out his duties and obligations as a Director under the various regulations and how these are to be discharged. An in-house orientation programme incorporating briefings from various business and corporate units is arranged for a newly appointed Director to better familiarise himself with the Group's businesses and governance practices. Where appropriate, training will be provided to first-time Directors of listed companies in areas such as accounting, legal and industry-specific knowledge.

Various training programmes in areas such as accounting, legal, risk management and industry-specific matters are made available to and arranged for the Directors, at the Company's expense. The Company Secretary brings to the Directors' attention information on any seminars that may be of relevance to them.

PRINCIPLE 2: BOARD COMPOSITION AND GUIDANCE

As at the date of this Corporate Governance Report, the Board comprises six (6) Directors, of whom three (3) are Independent and Non-Executive Directors. The three (3) Independent and Non-Executive Directors, namely, Mr Teo Ser Luck, Mr David Wong Cheong Fook and Mr Lee Suan Hiang, have confirmed that none of them and their immediate family members have a relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgement with a view to the best interests of the Company.

The NC, taking into account the nature of the Group's operation, considers the current Board size to be adequate for effective decision making. The NC reviews whether the Board and its Board Committees provide an appropriate balance and diversity of skills, experience, gender and knowledge of the Group. The NC is satisfied that the present Board has an appropriate mix

of expertise, experience and independence needed to discharge its duties effectively. The Directors have diverse backgrounds in the real estate, accounting, business and public sectors. They possess core competencies and skills that best contribute to the Board's decision making process. They actively participate in discussions and decision making at the Board and Board Committee levels, as well as in open and candid discussions with the management. The Non-Executive Directors are encouraged to constructively challenge and help develop proposals on strategy, and review and monitor the performance of the management against target goals and objectives. The Non-Executive Directors may also meet separately (as and when circumstances arise) without the presence of the management.

No individual Director dominates the Board's decision making and there is sufficient accountability and capacity for independent decision making. Any Director who has conflicting interest with the subject discussed at the meeting would either declare his interest and abstain from voting or recuse himself from the information flow and discussion of the subject matter.

The NC determines annually whether or not a Director is independent based on the Code 2012 and a written declaration of their independence provided by the Directors. The independence of any Director who has served on the Board beyond nine (9) years from the date of his first appointment is subject to particularly rigorous review. During the year, none of the Directors have served on the Board for more than nine (9) years from the date of their first appointments.

Profiles of the Directors are found on pages 12 to 14 of this Annual Report.

PRINCIPLE 3: CHAIRMAN AND GROUP MANAGING DIRECTOR

Mr Zhong Sheng Jian is the Executive Chairman and Non-Independent and Executive Director of the Company. The Company has appointed Mr Teo Ser Luck as its Lead Independent Director ("Lead ID"), in view that the Executive Chairman, Mr Zhong Sheng Jian, is not an Independent Director. As the Lead ID, Mr Teo Ser Luck is available to shareholders where they have concerns and for which their previous contact through the normal channel of the Executive Chairman or the Group Managing Director has failed to resolve the matter or has been inappropriate.

As the Executive Chairman, Mr Zhong Sheng Jian focuses on leading the Board to ensure its effectiveness in all aspects of its role, and setting its agenda and ensuring that adequate time is available for discussion of all agenda items, in particular strategic issues. He plays a significant leadership role by providing clear oversight, advice and guidance to the management. He ensures that the Directors receive complete, adequate and timely information. At Board meetings, he promotes a culture of openness and ensures that the Non-Executive Directors are able to communicate freely and contribute effectively. He also ensures that the Company maintains high standards of corporate governance. At shareholders' meetings, the Chairman plays an important role in promoting constructive dialogue between shareholders, the Board and the management.

The Group Managing Director bears executive responsibility for the management and development of the Group's businesses. He executes the agreed strategies and implements the Board's decisions so as to enable the Group to continue its strategic objective of growing the core businesses, streamlining business activities and enhancing and unlocking value for shareholders.

The Chairman and the Group Managing Director are not related to each other.

Led by the Lead ID, the Independent Directors and the Non-Executive Directors may meet separately (as and when circumstances arise) without the presence of the other Directors. The Lead ID provides feedback to the Executive Chairman on the issues discussed at such meetings.

PRINCIPLE 4: BOARD MEMBERSHIP

The NC is chaired by Mr Teo Ser Luck (the Lead ID), and its members comprise Mr Zhong Sheng Jian and Mr David Wong Cheong Fook. Except for Mr Zhong Sheng Jian, the other two (2) members are independent.

The NC meets at least once a year and more often if required. In FY 2018, the NC held three (3) meetings. Its primary functions are to:

(i) review and make recommendations to the Board for the appointment of Directors and members to the Board Committees;

(ii) determine annually whether or not a Director is independent and recommend the re-election of Directors to the Board as may be appropriate;

(iii) assess the effectiveness of the Board as a whole and the contribution by each individual Director to the effectiveness of the Board annually through a formal Board and individual Director evaluation exercise;

(iv) decide whether or not a Director is able to and has been adequately carrying out his duties as a Director of the Company, especially for Directors with multiple board representations;

(v) re-nominate a Director having regard to their contribution and performance (e.g. attendance, preparedness, participation and candour) and whether he is able to adequately discharge his duties, including, if applicable, as an Independent and Non-Executive Director;

(vi) propose objective performance criteria to evaluate the Board's performance;

(vii) review the succession plans for the Executive Chairman, the Group Managing Director and key management staff; and

(vii) review the training and professional development programs for the Board.

The NC has put in place a formal and transparent process for the appointment of new Directors to the Board. This process involves identifying, reviewing and recommending potential candidates to the Board for consideration.

Directors who have identified suitable candidates submit the bio-data of such candidates to the NC for discussion and review. Generally, these candidates are identified through the business network of the Directors, and would be skilled in core competencies such as strategic planning and have business or management expertise as well as finance and industry knowledge.

If the NC considers the candidate to be suitable, the NC will then recommend its choice to the Board. Meetings with the Directors may be arranged to facilitate open discussion with such candidate. Upon appointment, the Company will send out a formal letter setting out the Director's roles and responsibilities and the new Director will then attend various briefings with the management.

In relation to (ii) above, Article 99 of the Constitution provides for one-third of the Company's Directors to retire by rotation every year, and this has been consistently adhered to. In addition, a new Director appointed by the Board will submit himself for re-election at the Annual General Meeting ("AGM") immediately following his appointment. Thereafter, he is subject to retirement under Article 99 of the Constitution.

The Directors who are seeking re-election at the forthcoming AGM on 30 April 2019 are set out in the Notice of AGM on pages 152 to 156 of this Annual Report.

The key information on the Directors is set out below:

Name of Director	Position	Date of appointment/ last re-election	Present directorships in other listed companies	Past directorships held over the preceding three (3) years in other listed companies	Other principal commitments
Zhong Sheng Jian	Executive Chairman and Non-Independent and Executive Director	12 September 2017 / 26 April 2018	• Yanlord Land Group Limited	Nil	Nil
Teo Ser Luck	Lead Independent and Non-Executive Director	19 September 2017 / 26 April 2018	• Serial System Ltd • BRC Asia Limited	Nil	• Elected Member of Parliament of Singapore • Chairman of Nufin Data Pte. Ltd. • Director of F4U Pte. Ltd. • Director of Helicap Pte. Ltd. • Director of Nufund Pte. Ltd. • Director of Vicduo Tech Pte. Ltd. • Adviser of Institute of Singapore Chartered Accountants • Adviser of Singapore FinTech Association
Lee Suan Hiang	Independent and Non-Executive Director	19 September 2017 / 26 April 2018	• Anacle Systems Limited • CITIC Envirotech Ltd. • Perennial Real Estate Holdings Limited • Viking Offshore and Marine Limited • MindChamps PreSchool Limited	• Advance SCT Limited • Memstar Technology Ltd.	• Chairman and Director of Global Culture Alliance Ltd • Director of Singapore Institute of Directors • President of Economic Development Board Society

Name of Director	Position	Date of appointment/ last re-election	Present directorships in other listed companies	Past directorships held over the preceding three (3) years in other listed companies	Other principal commitments
David Wong Cheong Fook	Independent and Non-Executive Director	1 January 2011 / 26 April 2018	• PEC Ltd.	Nil	• Chairman of Republic Polytechnic
Pua Seck Guan	Non-Independent and Non-Executive Director	12 September 2017 / 26 April 2018	• Perennial Real Estate Holdings Limited • Wilmar International Limited	Nil	• Chief Executive Officer and Executive Director of Perennial Real Estate Holdings Limited • Chief Operating Officer and Executive Director of Wilmar International Limited • Member of Consultative Committee of National University of Singapore – Department of Real Estate • Member of Singapore-China Business Council of Singapore Business Federation • Member of Singapore-Sichuan Trade and Investment Committee
Tan Chee Keong Roy	Group Managing Director and Non-Independent and Executive Director	19 October 2017 / 26 April 2018	Nil	• MFS Technology Ltd (Dissolved) • Multi-Fineline Electronix, Inc. (Delisted)	Nil

PRINCIPLE 5: BOARD PERFORMANCE

The NC has implemented a formal Board and individual Director evaluation exercise. The Board evaluation process takes into account various criteria, including Board structure, strategy and performance, governance, Board function and team dynamics (Board procedures, succession planning and standards of conduct). The individual Director evaluation process has the following performance criteria: Directors' duties, communication skills, strategy and risk management, Board contribution, specialist knowledge and ethics/values. The individual Director evaluation also takes into account the contributions of each Director and his commitment in terms of time and effort spent on the Company's matters. The evaluation and feedback are then consolidated and presented to the Board for discussion on areas of strengths and weaknesses to improve the effectiveness of the Board and Board Committees.

As the Company is classified as being multi-industry, there are no directly relevant comparisons that it can undertake *vis-à-vis* its industry peers. The performance criteria do not change from year to year unless circumstances deem it necessary, and a decision to change any of the performance criteria will be justified by the Board.

No external facilitator was used for the formal Board and individual Director evaluation exercise.

PRINCIPLE 6: ACCESS TO INFORMATION

All Directors have direct and independent access to the Company Secretary and the management. The Company Secretary, under the direction of the Chairman, is responsible for ensuring good information flow within the Board and the Board Committees, and between the management and the Non-Executive Directors. She also advises the Board on all governance matters, as well as facilitating orientation, and assisting with professional development of the Board as required. The Company Secretary attends all Board meetings and is also responsible for ensuring that the Board's procedures and applicable rules and regulations are complied with. The appointment and removal of the Company Secretary has to be deliberated on and decided by the Board as a whole.

For purpose of best practices, the Board and the Board Committee meetings are usually scheduled one (1) year in advance to facilitate the Directors' individual schedules. Board papers and briefing notes including management accounts and commentaries on the Group's performance are usually submitted at least three (3) working days in advance.

Directors are also regularly updated by the management on the developments within the Group and supplied with such other information so that they are equipped to fulfil their duties properly. Directors may also request from the management such other additional information as they may consider necessary to be provided, and the management shall provide the same in a timely manner.

Internal guidelines have been adopted to ensure that the Directors may consult with professional advisors, costs of which are borne by the Company, as may be necessary to assist them in discharging their duties.

REMUNERATION MATTERS

PRINCIPLE 7: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES
PRINCIPLE 8: LEVEL AND MIX OF REMUNERATION
PRINCIPLE 9: DISCLOSURE ON REMUNERATION

The RC is chaired by Mr Lee Suan Hiang, and its members comprise Mr Pua Seck Guan and Mr Teo Ser Luck. Except for Mr Pua Seck Guan, the other two (2) members are independent. All RC members are Non-Executive Directors, and have adequate knowledge of compensation matters. The RC has been formed and its powers, functions and duties are guided by its terms of reference.

The RC meets at least once a year and more often if required. In FY 2018, the RC held two (2) meetings and its primary functions are to:

(i) evaluate and propose payment of Directors' fees for the approval of members in shareholders' meeting; and

(ii) review and recommend to the Board a framework of remuneration and specific remuneration packages for Directors and key management staff, including the Executive Chairman and the Group Managing Director. The framework takes into account all aspects of executive's remuneration including salaries, allowances, bonuses, options and benefits in kind. The RC benchmarks the framework against pay and employment conditions within the industry and structures the same so as to link rewards to corporate and individual performance.

The RC has direct and independent access to the Head of Group Human Resources, who attends all RC meetings. The RC also has access to independent and objective expert advice inside and/or outside the Group, if necessary, on remuneration of all Directors. No remuneration consultant was appointed by the RC in FY 2018.

The Group has in place contracts of service for each of its Executive Directors and key management staff which contain fair remuneration packages which do not reward poor performance, and fair and reasonable termination clauses. The performance-related elements of the remuneration package are designed to align the executive's interests with those of shareholders and promote the long-term success of the Group while taking into account the risk policies of the Group, be symmetric with risk outcomes and be sensitive to time horizon risks. An executive's performance is assessed based on a set of performance criteria which includes, *inter alia*, the Group's financial performance, and the executive's quality of work and diligence.

The RC is of the view that the remuneration of Non-Executive Directors is appropriate to their level of contribution, taking into account factors such as effort and time spent, and responsibilities of the Directors, and that Independent and Non-Executive Directors are not over-compensated to the extent that their independence may be compromised.

In FY 2018, there were no termination, retirement and post-employment benefits that may be granted to Directors (including the Executive Chairman and the Group Managing Director) and the top five (5) key management staff.

The Company does not employ any immediate family member of the Directors, the Executive Chairman or the Group Managing Director.

Directors' fees are proposed in accordance with a framework comprising basic fees and additional fees for other duties or serving on specialised committees. The Directors' fees for FY 2018 set out below are subject to the shareholders' approval at the forthcoming AGM.

Directors' Remuneration

Name of Director	Directors' fees $	Salary $	Bonus $	Other benefits $	Total $
Mr Zhong Sheng Jian	55,000	1	-	-	55,001
Mr Teo Ser Luck	92,500	-	-	-	92,500
Mr Lee Suan Hiang	77,500	-	-	-	77,500
Mr David Wong Cheong Fook	85,000	-	-	-	85,000
Mr Pua Seck Guan	55,000	-	-	-	55,000
Mr Tan Chee Keong Roy	-	456,000	604,000	49, 607	1,109,607

Top Five (5) Key Management Staff Remuneration

The Company adopts a remuneration policy for staff comprising fixed and variable components in the form of base salary and variable bonus that are linked to the performance of the Company and the individual. Remuneration packages and revisions of key management staff's remuneration are subject to the review and approval of the RC.

Given the highly competitive industry conditions and in the interest of maintaining good morale and a strong spirit of teamwork within the Group, the disclosure relating to the remuneration of the top five (5) key management staff of the Group (who are not Directors) has been made in bands of $250,000. For more information on the aggregate total remuneration paid to all key management staff (including the top five (5) key management staff), please refer to Note 31 in the Notes to the Financial Statements on pages 129 and 130 of this Annual Report.

Remuneration Bands	No. of Executives
$250,000 - $500,000	2
$500,001 - $750,000	2
$750,001 - $1,000,000	1

ACCOUNTABILITY AND AUDIT

PRINCIPLE 10: ACCOUNTABILITY

On a regular basis, the management prepares and submits proposals and financial reports for the Board's consideration, setting out the background, explanatory information and their recommendations to enable the Board to make a balanced and informed assessment of the Group's performance, position and prospects. These are supported with disclosure documents, budgets, forecasts and monthly internal financial statements. Any material variance between the budgets and actual results will be disclosed and explained to the Board.

To promote shareholders' confidence and to comply with the SGX-ST regulatory requirements, the Company releases announcements, including its quarterly and full-year financial results through SGXNET for market dissemination. These provide the shareholders, members of the public as well as investors a balanced and informed assessment of the Group's performance, position and prospects.

The Board has also taken steps to ensure compliance with legislative and regulatory requirements, including requirements under the Listing Manual of the SGX-ST.

PRINCIPLE 11: RISK MANAGEMENT AND INTERNAL CONTROLS

Enterprise Risk Management ("ERM") forms part of ARC's scope and responsibilities. Supported by the Group Managing Director and other senior executives of the Group, the ARC performs an oversight role in the formulation, implementation and maintenance of an adequate and effective ERM framework and internal control mechanism. During the year, the ARC held two (2) meetings to specifically review and discuss issues relating to ERM matters.

The Group promotes the standardisation of policies, processes and internal control procedures for the effective oversight of the operations throughout the Group. This is achieved in part through the Group's long-established Group Operating Manual which provides a framework for quality management systems and assurance processes.

On an annual basis, the Group's internal auditor prepares an internal audit plan taking into consideration the risks identified. This internal audit plan is approved by the ARC and internal audits are conducted to assess the adequacy and effectiveness of the Group's system of internal controls in managing its financial, operational, information technology and compliance risks. Any material non-compliance or failures in internal controls and recommendations for improvements are reported to the ARC. The external auditor also reports to the ARC on matters relating to internal financial controls which came to their attention during the course of their normal statutory audit and provides related recommendations for improvements. The ARC

reviews the effectiveness of the actions taken by the management on the recommendations made by the internal and external auditors in this respect.

The Group's ERM framework comprises a comprehensive set of management systems, organisational structures, policies, processes and internal control standards adopted by the Group in conducting its business and delivering returns for shareholders.

The Group's clear organisation structures and transparent business practices are closely integrated with its risk management system. Key risks are reported and managed upstream in a prompt and consistent manner to complement business planning, ensure appropriate intervention and promote knowledge sharing.

The Group's ERM framework is based on ISO 31000 and focuses on four (4) dimensions of (i) commitment and mandate, (ii) structure and accountability, (iii) communication and training, and (iv) review and improvement. This is to ensure that strategic and operational objectives are achieved, reporting is reliable, all relevant laws and regulations are complied with, a responsible corporate governance that facilitates the Board and the Board Committees in exercising risk oversight on the various risks faced by the Group, and an internal control system is being implemented for controlling the various risks throughout the year.

The Company maintains a Risk Register setting out the key risks and the implemented internal controls to manage and mitigate those risks. The ARC and the Board review the Risk Register annually. The adequacy and effectiveness of the risk management and internal control systems is reviewed by the ARC periodically. The Board has received written assurance from the Group Managing Director and the Group Financial Controller that:

(i) the financial records of the Group have been properly maintained and the financial statements for FY 2018 give a true and fair view of the Group's operations and finances; and

(ii) the system of risk management and internal controls in place within the Group is adequate and effective in addressing material risks faced by the Group in its current business environment, including material financial, operational, compliance and information technology risks.

Based on the Group's ERM framework, internal control system established and maintained by the Group, work performed by the internal auditor, statutory audit conducted by the external auditor, and reviews performed by the management, various Board Committees and the Board, the Board is of the opinion with the concurrence of the ARC that the Group's internal controls addressing financial, operational, information technology and compliance risks are adequate and effective.

The system of internal controls and ERM framework established by the Group provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. The Board, however, notes that no system of internal controls and ERM framework can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision making, human errors, losses, fraud or other irregularities.

PRINCIPLE 12: AUDIT & RISK COMMITTEE

The ARC is chaired by Mr David Wong Cheong Fook, and its members comprise Mr Teo Ser Luck and Mr Lee Suan Hiang. All ARC members, including the Chairman of the ARC, are Independent and Non-Executive Directors. Most of the ARC members are actively involved in various other commercial organisations, and have related financial management experience. The NC is of the view that the ARC members have sufficient financial management expertise and experience to discharge the ARC's functions.

The ARC meets at least four (4) times a year. In FY 2018, ARC held six (6) meetings and its primary functions are to:

(i) review the scope and results of the statutory audit, its cost effectiveness and the independence and objectivity of the external auditor;

(ii) review the nature and extent of the external auditor's non-audit services to the Group, seeking to balance the maintenance of objectivity and value from the services provided;

(iii) review the quarterly, half-yearly and full-year financial statements of the Group prior to their submission to the Board;

(iv) review the significant financial reporting issues and judgements made by the management so as to ensure the integrity of the financial statements of the Group and any formal announcements relating to the financial performance of the Group;

(v) review IPTs to ensure compliance with the Listing Manual of the SGX-ST;

(vi) review the adequacy of the Group's internal financial controls, operational and compliance controls, information technology controls and risk management policies and systems (collectively, "internal controls");

(vii) review the effectiveness of the Group's internal controls, internal audit plan and function;

(viii) make recommendations to the Board on the appointment and re-appointment of both the external and internal auditors, and approve the remuneration and terms of engagement thereof;

(ix) review the assessment and monitoring of all risks associated with the investments and operations of the Group;

(x) review the effectiveness of internal compliance and control systems and procedures to manage risk, and recommend to the Board an appropriate risk management strategy and policy framework; and

(xi) consider and report to the Board on any material changes to the risk profile of the Group.

The ARC has full access to and co-operation from the management, and has the discretion to invite any Director or executive to attend its meetings where necessary. The ARC also has explicit power to investigate any matter brought to its attention within its terms of reference, and will be granted reasonable resources to enable it to discharge its functions properly, including seeking external professional advice.

The Group has put in place, and the ARC has endorsed, arrangements by which staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The objective for such arrangements is to ensure independent investigation and appropriate follow-up actions on such matters. The arrangements provide for investigation to be undertaken by the Group Internal Audit Department and will be channelled to the ARC where appropriate.

The ARC met with the external auditor to discuss the results of their examinations and matters relating to internal financial controls which came to their attention during the course of their statutory audit and related recommendations for improvements. In addition, updates on changes in accounting standards and treatment are prepared by the external auditor and circulated to the ARC members periodically for their information. The ARC meets with the internal and external auditors of the Company, without the presence of management, at least once a year. The following significant matters impacting the financial statements were discussed with the management and the external auditor and were reviewed by the ARC. Following the review and discussions, the ARC recommended to the Board to approve the full-year financial statements.

Key issues	Matters considered
Fair value of the investment properties of the Group which amounted to $1,928 million as at 31 December 2018.	The valuation methodology and techniques used by independent external valuation specialists including the key assumptions, market data and estimates on which they are based. The external auditor has included this item as a key audit matter in its audit report for FY 2018. Refer to pages 53 and 54 of this Annual Report. Based on their independent assessment, the external auditor considered the methodology and assumptions used by management to be appropriate.

Key issues	Matters considered
Net realisable value of development properties held for sale which amounted to $960 million as at 31 December 2018.	The recoverable amounts taking into consideration the current market price, the estimated selling price, the costs incurred to date, the development status and cost to complete the development. When valuation is being relied upon, the valuation methodology and techniques used by independent external valuation specialists including the key assumptions, market data, and estimates on which they are based. The external auditor has included this item as a key audit matter in its audit report for FY 2018. Refer to page 54 of this Annual Report. Based on their independent assessment, the external auditor considered the methodology and assumptions used by management to be appropriate.
Adequacy of provision in relation to the sale of *UE BizHub EAST* which amounted to $24 million as at 31 December 2018.	The assessment of the present obligations under the contract including the key assumptions, market data and estimates on which they are based. The external auditor has included this item as a key audit matter in its audit report for FY 2018. Refer to pages 54 and 55 of this Annual Report. Based on the work performed, the external auditor considered the assumptions used by management to be appropriate.

The ARC confirms that it has undertaken a review of all non-audit services provided by Ernst & Young LLP and is satisfied that the nature and extent of such services would not, in the ARC's opinion, affect the independence of Ernst & Young LLP as external auditor of the Company. The breakdown of their fees for audit and non-audit services is found on Note 8 in the Notes to the Financial Statements on page 96 of this Annual Report. The ARC noted that no former partner of Ernst & Young LLP has acted as member of the ARC within a period of 12 months commencing on the date of his ceasing to be a partner of Ernst & Young LLP.

Accordingly, the ARC has also recommended the re-appointment of Ernst & Young LLP as external auditor of the Company. The ARC is satisfied that the Group has complied with Rule 712 and Rule 715 of the Listing Manual of the SGX-ST in relation to the appointment of auditing firms.

The ARC has the authority to seek any information it requires from any staff of the Group. They make recommendations to the Board but shall have no executive powers in relation to the findings and recommendations. The ARC shall make recommendations to take such independent professional advice as it deems necessary.

PRINCIPLE 13: INTERNAL AUDIT

Internal audits are performed in accordance with the risk-based audit plan approved by the ARC. The internal audit work was performed by the in-house Group Internal Audit Department with assistance from an outsourced internal auditor, namely, BDO LLP, which is an international accounting firm. The Group Internal Audit Department and BDO LLP report directly to the Chairman of the ARC, and administratively to the Group Financial Controller. They have unfettered access to all the Group's

documents, records, properties and staff, including access to the ARC. The internal audit plan focused on the adequacy and effectiveness of the risk management and internal controls. All internal audit findings and recommendations are reviewed by the ARC, and the management will take the appropriate actions to improve the internal controls and mitigate the risk. The ARC is satisfied that there are adequate controls and measures within the Group, and will continue to review the same on an annual basis. The ARC is of the view that the internal audit function is independent, effective and adequately resourced.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

PRINCIPLE 14: SHAREHOLDER RIGHTS
PRINCIPLE 15: COMMUNICATION WITH SHAREHOLDERS
PRINCIPLE 16: CONDUCT OF SHAREHOLDERS' MEETINGS

The Company treats all its shareholders fairly and equitably and keeps them abreast of its corporate actions, including changes in the Company or its business that would likely and materially affect the price or value of its shares, in a timely and consistent manner. It does not practise selective disclosure as all price-sensitive information is released through SGXNET for market dissemination. In the event that inadvertent disclosure is made to a selected group, the Company will make the same disclosure publicly to all shareholders as soon as practicable. The Group strives to provide a balanced and understandable assessment of its performance and financial effects when disseminating financial and other price-sensitive public reports. The shareholders who sign up for email alert services will receive such disclosure via email.

The Group announced its financial results together with the requisite commentaries on a quarterly basis via SGXNET, and also posted the same on its website (www.uel.sg) as well as financial portal (www.shareinvestor.com). A summary of the activities and performance of the Group is recorded each year in the Annual Report which is distributed to all shareholders and business associates of the Group. In addition, major events such as the award of large or significant contracts, major acquisition or divestment of assets and other newsworthy events, had been featured in various press releases and other publications. Investors and members of the public may also access the Group's website (www.uel.sg) for more information.

At shareholders' meetings, the Company ensures that shareholders have the opportunity to participate effectively in and vote at such meetings. Shareholders are briefed on the rules, including voting procedures, that govern such meetings. The Constitution provides appropriate provisions to allow shareholders to vote in person or *in absentia* through proxies. The Board also encourages shareholders to participate at shareholders' meeting which give shareholders the opportunity to communicate their views as well as raise any concerns they might have on various matters affecting the Group.

Each item of special business included in the notice of the meeting will be accompanied by a full explanation of the effects of a proposed resolution. Separate resolutions are proposed for substantially separate issues at shareholders' meetings.

The Company has implemented electronic poll voting at shareholders' meetings. Through this voting method, shareholders are able to vote on each of the resolutions by poll, using an electronic voting system, thereby allowing shareholders to vote on a one-share-one-vote basis. The results of each resolution, including the number of votes for or against each resolution, are instantaneously screened at the meeting and announced to the SGX-ST after the meeting.

Minutes of shareholders' meetings are recorded and are available for shareholders' inspection upon their request. Minutes of shareholders' meetings include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting, and responses from the Board and the management.

All Directors, including the Chairman of each Board Committee, are present and available to address questions at shareholders' meetings. The external auditor is also present to address shareholders' queries on the conduct of statutory audit and the preparation and content of the auditor's report.

DIVIDEND POLICY

While the Company has not formally instituted a dividend policy, it has a good track record of paying annual dividends to shareholders. In proposing any dividend payout and/or determining the form, frequency and/or the amount of such dividend payout, the Board will take into account, *inter alia*, the Group's financial position, retained earnings, results of operation and cash flows, the Group's expected working capital requirements and capital expenditure, future expansion and investment plans, funding requirements, general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group.

Not having a fixed dividend policy gives the Company flexibility to manage its available cash and working capital, and in particular, retain profits for future investment as part of the Company's efforts to achieve long-term growth for the benefit of shareholders. The Board strives to maintain a balance between meeting shareholders' expectations and prudent capital management with a sustainable dividend payout.

INTERESTED PERSON TRANSACTIONS

The Company maintains a register of the Group's IPTs in accordance with the reporting requirements stipulated by Chapter 9 of the Listing Manual of the SGX-ST.

The Company did not obtain a general mandate from shareholders for IPTs.

The Group confirms that there were no IPTs with a value of $100,000 or more entered into during the financial year under review.

DEALINGS IN SECURITIES

The internal code of Best Practices for Dealings in Securities (the "Best Practices") of the Group has been issued to its Directors and officers for compliance. In compliance with Rule 1207(19) of the Listing Manual of the SGX-ST, Directors and officers of the Group are not permitted to deal with the listed securities of the Group during the period commencing two (2) weeks before the release of the Group's financial results for the first three (3) quarters, and one (1) month before the release of the Group's full-year financial results.

The Company, Directors and officers are also prohibited from dealing with the listed securities of the Group while in possession of unpublished price-sensitive information. In addition, they are expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period.

The Directors and officers are also discouraged from dealing in listed securities of the Group on short-term considerations.

Overall, the Board is satisfied with the Group's Best Practices, and with the adequacy of internal controls within the Group.

FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

DIRECTORS' STATEMENT

The directors of United Engineers Limited (the "Company") are pleased to present their statement to the members together with the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2018.

OPINION OF THE DIRECTORS

In the opinion of the directors of the Company,

(i) the consolidated financial statements of the Group and statement of financial position 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 2018 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial 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.

DIRECTORS

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

Mr Zhong Sheng Jian
Mr Teo Ser Luck
Mr Lee Suan Hiang
Mr David Wong Cheong Fook
Mr Pua Seck Guan
Mr Tan Chee Keong Roy

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' 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 the stock units, shares, debentures and share options of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

	Direct interest		Deemed interest	
Name of Director	**At the beginning of financial year**	**At the end of financial year**	**At the beginning of financial year**	**At the end of financial year**
The Company		**Ordinary Stock Units**		
Mr David Wong Cheong Fook	10,000	10,000	—	—
Mr Zhong Sheng Jian[1]	—	—	214,122,906	218,767,206
		Preference Shares		
Mr Zhong Sheng Jian[1]	—	—	854,993	854,993

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES *(continued)*

Name of Director	Direct interest		Deemed interest	
	At the beginning of financial year	At the end of financial year	At the beginning of financial year	At the end of financial year
The Company	**$150 million 5-year 3.68% per annum Fixed Rate Notes due 2021**			
Mr Pua Seck Guan	2,000,000	2,000,000	—	—
Subsidiary	**Ordinary Stock Units**			
WBL Corporation Limited				
Mr Zhong Sheng Jian[2]	—	—	28,120,063	84,078,988

Note:

(1) Mr Zhong Sheng Jian is deemed interested in the stock units and preference shares of the Company held by Yanlord Perennial Investment (Singapore) Pte. Ltd.

(2) Mr Zhong Sheng Jian is deemed interested in the stock units of WBL Corporation Limited held by Yanlord Perennial Investment (Singapore) Pte. Ltd.

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2019.

Except as disclosed in this statement, no director of the Company who held office at the end of the financial year had interests in stock units, shares, share options, warrants or debentures of the Company or of its subsidiaries or related corporations, either at the beginning or end of the financial year.

SHARE OPTIONS

By the Company

The Company did not have any share option scheme, performance share plan or share incentive scheme in force during the financial year under review. No options were granted pursuant to any share option scheme, performance share plan or share incentive scheme ("Options") during the financial year under review and there were no outstanding Options in respect of unissued stock units of the Company as at 31 December 2018.

Subsidiary's Share Option Scheme

Pacific Silica Pty Ltd ("PSPL")
PSPL Employee Share Option Scheme ("PSPL Scheme")

The PSPL Scheme was established in May 2002 and is administered by a committee which comprises Messrs Ong Kim Teck and Ian Harrison.

No options were granted pursuant to the PSPL Scheme ("PSPL Options") during the financial year under review and there were no outstanding PSPL Options in respect of unissued shares of PSPL as at 31 December 2018.

AUDIT & RISK COMMITTEE

The Audit & Risk Committee (ARC) comprises the following Independent and Non-Executive Directors as at the date of this statement:

Mr David Wong Cheong Fook (Chairman)
Mr Teo Ser Luck
Mr Lee Suan Hiang

The ARC carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Chapter 50 (the "Act"). The ARC reviewed the Company's accounting policies and internal controls on behalf of the Board of Directors and performed the functions specified in the Act and the Listing Manual of the SGX-ST. In performing its functions, the ARC reviewed the overall scope of both internal and external audits. It met with the Company's internal and external auditors to discuss the results of their examinations and their evaluation of the Company's system of internal accounting controls.

The ARC also reviewed the financial statements of the Company and the consolidated financial statements of the Group as well as the Independent Auditor's Report thereon.

The ARC recommended to the Board of Directors that Ernst & Young LLP be nominated for re-appointment as the external auditor of the Company for the financial year ending 31 December 2019 at the forthcoming Annual General Meeting of the Company.

Further details regarding the ARC are disclosed in the Report on Corporate Governance of the Company's Annual Report for the financial year ended 31 December 2018.

AUDITOR

Ernst & Young LLP has expressed its willingness to accept re-appointment as auditor.

On behalf of the board of directors,

ZHONG SHENG JIAN
Director

TAN CHEE KEONG ROY
Director

18 March 2019
Singapore

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF UNITED ENGINEERS LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of United Engineers Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the statements of financial position of the Group and the Company as at 31 December 2018, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows 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 statement of financial position 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 2018 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.

Fair value of investment properties

As at 31 December 2018, investment properties of the Group amounted to $1,928 million. The valuation of the investment properties is significant to our audit due to their magnitude, complexity of the valuation and the high dependency on a range of estimates made by management such as rental value and capitalisation rates as well as the use of external valuation specialists. As such, this is considered to be a key audit matter.

The management engaged independent external valuation specialists to support its determination of the individual fair value of the investment properties annually. We have considered the objectivity, independence and expertise of the external valuation specialists. We also read the terms of engagement entered into between the Group and the external valuation specialists to determine whether there were limitations in the scope of work or matters that might affect the objectivity of the external valuation specialists.

Key Audit Matters *(continued)*

Fair value of investment properties (continued)
We evaluated the appropriateness of the valuation methodology used against those applied by other valuation specialists for similar property types. We assessed the reasonableness of the capitalisation rate used by comparing them to historical rates and available industry data, taking into consideration comparability and market factors. We also assessed the property related data used in the projected cash flows by comparing to supporting leases. In addition, we engaged the external valuation specialists to discuss their valuation methodology and techniques used. We further assessed the adequacy of disclosures in Note 12 and 34 relating to the assumptions, given the estimation uncertainty and sensitivity of the valuations. Based on our independent assessment, we considered the methodology and assumptions used by management to be appropriate.

Net realisable value of property held for sale
As at 31 December 2018, development properties held for sale of the Group amounted to $960 million. The Group's development properties held for sale comprise properties in the course of development and completed properties in Singapore, Malaysia and China. Development properties held for sale are stated at the lower of cost and their net realisable value. The determination of the net realisable value of development properties held for sale is significant to our audit due to its magnitude and its dependency on a range of estimates (amongst others, estimated selling price and expected construction costs of the projects) made by management as well as the use of external valuation specialists. As such, this is considered to be a key audit matter.

For certain development properties held for sale with slower-than-expected sales, the management engaged independent external valuation specialists to support its determination of their individual net realisable value. With the assistance of our internal property valuation specialists, we have considered the objectivity, independence and expertise of the external valuation specialists. We also read the terms of engagement entered into between the Group and the external valuation specialists to determine whether there were limitations in the scope of work or matters that might affect the objectivity of the external valuation specialists for similar property types. We assessed the reasonableness of the estimated selling price by comparing them to external available industry data, taking into consideration comparability and market factors. We also assessed the expected construction cost of the projects by comparing to the quantity surveyor's report. In addition, we engaged the external valuation specialists to discuss on their valuation methodology and techniques used.

For development properties held for sale with recent transacted price, the management evaluated the recoverable amounts of these properties by taking into consideration the current market prices of these properties involved, the costs incurred to date, the development status and costs to complete the development. We reviewed management assumptions and compared them to the actual transacted selling prices of these development properties during the year and subsequent to year end. We also compared management's budgeted total development costs against underlying contracts with vendors and supporting documents.

For the acquisition of land during the year, the management evaluated its recoverable amount by taking into consideration the estimated selling price of the development property held for sale and its budgeted development cost. We verified the land cost is in accordance to the tender document and corroborated management's budgeted total development costs with our understanding of past completed projects. We further assessed the reasonableness of the expected selling prices to the gross development value as stipulated in the valuation report.

We further assessed the adequacy of disclosure in Note 20 on the development properties held for sale. Based on our independent assessment, we considered the methodology and assumptions used by management to be appropriate.

Adequacy of provision in relation to the sale of UE BizHub EAST
As at 31 December 2018, the Group recognised provision in relation to the sale of UE BizHub EAST amounting to $24 million. The provision relates to a subsidiary's obligations in relation to sale of UE BizHub EAST, which is equivalent to the differences between the agreed lease and the net hotel income as well as costs to refurbish and reinstate the premise. The calculation of the costs to refurbish and reinstate requires significant management judgement because of the inherent complexity in estimating future costs and the extent of reinstatement required. Due to the amount of the provision recognised, the significant estimates used in determining the provision, and the judgmental macro-economic conditions, we considered this matter to be a key audit matter.

Key Audit Matters *(continued)*

Adequacy of provision in relation to the sale of UE BizHub EAST (continued)
We evaluated the key assumptions applied by the management in determining the present obligations under the contract, amongst others, by analysing the underlying contract in place and performing sensitivity analysis. We assessed the appropriateness of the data used in the estimation process, including the assumptions applied (such as occupancy rate, discount rate, current information available to compute the net operating expenses, and refurbishment and reinstatement costs) by comparing them against historical rates and available industry data, taking into consideration comparability and market factors. We further assessed the adequacy of disclosure of the provision in Note 25. Based on the work performed, we considered the assumptions used by management to be appropriate.

Other information

Management is responsible for 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.

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.

Auditor's Responsibilities for the Audit of the Financial Statements *(continued)*

- 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.

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 Tan Seng Choon.

ERNST & YOUNG LLP
Public Accountants and
Chartered Accountants
Singapore

18 March 2019

CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	GROUP 2018 $000	GROUP 2017 $000
Revenue	4	374,909	525,796
Cost of sales		(212,452)	(330,037)
Gross profit		162,457	195,759
Other items of income			
Interest income	5	4,498	3,103
Other income	6	30,453	69,796
Other items of expense			
Distribution costs		(23,463)	(30,697)
Administrative expenses		(91,856)	(99,038)
Finance costs	7	(23,053)	(21,162)
Other expenses		(4,037)	(16,700)
Share of profit from equity-accounted associates		4,320	3,615
Share of loss from equity-accounted joint ventures		(1,021)	(1,719)
Profit before tax	8	58,298	102,957
Income tax expense	9	(5,300)	(19,508)
Profit net of tax		52,998	83,449
Profit/(loss) attributable to:			
Owners of the Company		55,760	87,182
Non-controlling interests		(2,762)	(3,733)
		52,998	83,449
Earnings per stock unit (cents)			
Basic and diluted	10	8.7	13.7

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	GROUP	
	2018	**2017**
	$000	**$000**
Profit net of tax	52,998	83,449
Other comprehensive income		
Items that will not be reclassified to income statement:		
Net fair value losses on equity securities at fair value through other comprehensive income (FVOCI)	(671)	–
Remeasurements of defined benefit pension plans	(113)	5,592
Income tax relating to components of other comprehensive income	19	(951)
	(765)	4,641
Items that may be reclassified subsequently to income statement:		
Losses on exchange differences on translation	(14,574)	(9,345)
Gains on remeasuring available-for-sale financial assets	–	5,399
Share of other comprehensive income from equity-accounted associates	(502)	421
	(15,076)	(3,525)
Other comprehensive income, net of tax	(15,841)	1,116
Total comprehensive income	37,157	84,565
Attributable to:		
Owners of the Company	45,233	90,214
Non-controlling interests	(8,076)	(5,649)
Total comprehensive income for the year	37,157	84,565

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	GROUP 2018 $000	31 December 2017 $000	1 January 2017 $000
ASSETS				
Non-current assets				
Property, plant and equipment	11	141,385	148,277	162,909
Investment properties	12	1,927,740	1,908,627	1,859,418
Intangible assets		–	–	4,704
Interests in associates	14	108,759	114,944	112,619
Interests in joint ventures	15	44,830	47,938	45,478
Deferred tax assets	16	29,259	29,263	46,162
Other investments	17	26,751	30,375	25,069
Total non-current assets		2,278,724	2,279,424	2,256,359
Current assets				
Inventories	18	24,215	27,163	31,146
Income tax receivables		678	346	352
Trade and other receivables	19	98,343	90,938	230,958
Prepayments		8,739	8,929	8,131
Properties held for sale	20	959,720	557,247	656,661
Bank balances and deposits	21	251,252	384,711	623,976
Total current assets		1,342,947	1,069,334	1,551,224
Total assets		3,621,671	3,348,758	3,807,583
EQUITY AND LIABILITIES				
Equity				
Share capital	22(a)	808,030	808,030	807,938
Treasury shares	22(b)	(62,313)	(62,313)	(62,313)
Retained earnings		1,194,744	1,158,499	1,138,060
Other reserves	23	(13,560)	(2,782)	1,319
Equity attributable to owners of the Company		1,926,901	1,901,434	1,885,004
Non-controlling interests		283,985	306,136	311,885
Total equity		2,210,886	2,207,570	2,196,889
Non-current liabilities				
Provisions	25	35,941	46,779	70,204
Deferred tax liabilities	16	54,609	56,986	75,188
Trade and other payables	26	228	3,616	4,300
Borrowings	24	728,358	746,109	896,720
Total non-current liabilities		819,136	853,490	1,046,412
Current liabilities				
Provisions	25	3,339	12,967	17,005
Income tax payable		30,348	43,079	31,679
Trade and other payables	26	197,607	146,740	220,870
Borrowings	24	360,355	84,912	294,728
Total current liabilities		591,649	287,698	564,282
Total liabilities		1,410,785	1,141,188	1,610,694
Total equity and liabilities		3,621,671	3,348,758	3,807,583

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	COMPANY 2018 $000	31 December 2017 $000	1 January 2017 $000
ASSETS				
Non-current assets				
Property, plant and equipment	11	20,519	22,094	22,735
Investment properties	12	729,900	722,400	679,500
Interests in subsidiaries	13	1,053,732	968,731	1,005,749
Interests in associates	14	322	325	337
Other investments	17	1,209	1,197	1,130
Total non-current assets		1,805,682	1,714,747	1,709,451
Current assets				
Trade and other receivables	19	31,612	2,640	4,259
Prepayments		690	867	1,538
Bank balances and deposits	21	22,352	117,919	420,959
Total current assets		54,654	121,426	426,756
Total assets		1,860,336	1,836,173	2,136,207
EQUITY AND LIABILITIES				
Equity				
Share capital	22(a)	808,030	808,030	807,938
Retained earnings		817,428	785,789	802,687
Other reserves	23	(21)	(33)	3,981
Total equity		1,625,437	1,593,786	1,614,606
Non-current liabilities				
Borrowings	24	150,000	150,000	150,000
Total non-current liabilities		150,000	150,000	150,000
Current liabilities				
Income tax payable		3,999	4,635	4,303
Trade and other payables	26	23,600	84,052	117,275
Borrowings	24	57,300	3,700	250,023
Total current liabilities		84,899	92,387	371,601
Total liabilities		234,899	242,387	521,601
Total equity and liabilities		1,860,336	1,836,173	2,136,207

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

GROUP

		Attributable to owners of the Company					
	Total equity	Equity attributable to owners of the Company	Share capital (Note 22(a))	Treasury shares (Note 22(b))	Retained earnings	Other reserves (Note 23)	Non-controlling interests
	$000	$000	$000	$000	$000	$000	$000
Opening balance at 01/01/2018 (FRS framework)	2,207,570	1,901,434	808,030	(62,313)	1,190,312	(34,595)	306,136
Cumulative effects of adopting SFRS(I)	–	–	–	–	(31,813)	31,813	–
Opening balance at 01/01/2018 (SFRS(I) framework)	2,207,570	1,901,434	808,030	(62,313)	1,158,499	(2,782)	306,136
Profit for the year	52,998	55,760	–	–	55,760	–	(2,762)
Net fair value losses on equity securities at FVOCI	(671)	(671)	–	–	–	(671)	–
Remeasurements of defined benefit pension plans	(113)	(78)	–	–	(78)	–	(35)
Income tax relating to components of other comprehensive income	19	13	–	–	13	–	6
Losses on exchange differences on translation	(14,574)	(9,289)	–	–	–	(9,289)	(5,285)
Share of other comprehensive income from equity-accounted associates	(502)	(502)	–	–	–	(502)	–
Other comprehensive income for the year, net of tax	(15,841)	(10,527)	–	–	(65)	(10,462)	(5,314)
Total comprehensive income for the year	37,157	45,233	–	–	55,695	(10,462)	(8,076)
Contributions by and distributions to owners							
Dividends paid (Note 27)	(24,698)	(24,698)	–	–	(24,698)	–	–
Dividends paid to non-controlling interests	(218)	–	–	–	–	–	(218)
Total contributions by and distributions to owners	(24,916)	(24,698)	–	–	(24,698)	–	(218)
Changes in ownership interests in subsidiaries							
Acquisition of non-controlling interests without a change in control	(9,006)	4,851	–	–	–	4,851	(13,857)
Total changes in ownership interests in subsidiaries	(9,006)	4,851	–	–	–	4,851	(13,857)
Total transaction with owners in their capacity as owners	(33,922)	(19,847)	–	–	(24,698)	4,851	(14,075)
Others							
Share of share option reserve from equity-accounted associates	81	81	–	–	–	81	–
Transfer of reserve to retained earnings upon disposal/dissolution of other investments	–	–	–	–	5,248	(5,248)	–
Total others	81	81	–	–	5,248	(5,167)	–
Closing balance at 31/12/2018	2,210,886	1,926,901	808,030	(62,313)	1,194,744	(13,560)	283,985

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

GROUP

		Attributable to owners of the Company					
	Total equity	Equity attributable to owners of the Company	Share capital (Note 22(a))	Treasury shares (Note 22(b))	Retained earnings	Other reserves (Note 23)	Non-controlling interests
	$000	$000	$000	$000	$000	$000	$000
Opening balance at 01/01/2017 (FRS framework)	2,194,892	1,883,007	807,938	(62,313)	1,167,482	(30,100)	311,885
Cumulative effects of adopting SFRS(I)	1,997	1,997	–	–	(29,422)	31,419	–
Opening balance at 01/01/2017 (SFRS(I) framework)	2,196,889	1,885,004	807,938	(62,313)	1,138,060	1,319	311,885
Profit for the year	83,449	87,182	–	–	87,182	–	(3,733)
Remeasurements of defined benefit pension plans	5,592	3,780	–	–	3,780	–	1,812
Income tax relating to components of other comprehensive income	(951)	(643)	–	–	(643)	–	(308)
Gains on remeasuring available-for-sale financial assets	5,399	5,399	–	–	–	5,399	–
Losses on exchange differences on translation	(9,345)	(5,925)	–	–	–	(5,925)	(3,420)
Share of other comprehensive income from equity-accounted associates	421	421	–	–	–	421	–
Other comprehensive income for the year, net of tax	1,116	3,032	–	–	3,137	(105)	(1,916)
Total comprehensive income for the year	84,565	90,214	–	–	90,319	(105)	(5,649)
Contributions by and distributions to owners							
Cash distribution paid to non-controlling interests	(206)	–	–	–	–	–	(206)
Ordinary shares issued on exercise of share options converted into ordinary stocks	92	92	92	–	–	–	–
Dividends paid (Note 27)	(73,961)	(73,961)	–	–	(73,961)	–	–
Dividends paid to non-controlling interests	(138)	–	–	–	–	–	(138)
Total transactions with owners in their capacity as owners	(74,213)	(73,869)	92	–	(73,961)	–	(344)
Others							
Liquidation of subsidiaries	244	–	–	–	–	–	244
Share of share option reserve from equity-accounted associates	85	85	–	–	–	85	–
Transfer of reserve to retained earnings upon expiry of employee share option scheme	–	–	–	–	4,081	(4,081)	–
Total others	329	85	–	–	4,081	(3,996)	244
Closing balance at 31/12/2017	2,207,570	1,901,434	808,030	(62,313)	1,158,499	(2,782)	306,136

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

COMPANY

	Total equity	Share capital (Note 22(a))	Retained earnings	Other reserves (Note 23)
	$000	$000	$000	$000
Opening balance at 01/01/2018 (FRS and SFRS(I) framework)	1,593,786	808,030	785,789	(33)
Profit for the year	57,205	–	57,205	–
Net fair value gains on equity securities at FVOCI	12	–	–	12
Other comprehensive income for the year	12	–	–	12
Total comprehensive income for the year	57,217	–	57,205	12
Contributions by and distributions to owners				
Dividends paid (Note 27)	(25,566)	–	(25,566)	–
Total transactions with owners in their capacity as owners	(25,566)	–	(25,566)	–
Closing balance at 31/12/2018	1,625,437	808,030	817,428	(21)
Opening balance at 01/01/2017 (FRS and SFRS(I) framework)	1,614,606	807,938	802,687	3,981
Profit for the year	55,588	–	55,588	–
Gains on remeasuring available-for-sale financial assets, net of tax	67	–	–	67
Other comprehensive income for the year	67	–	–	67
Total comprehensive income for the year	55,655	–	55,588	67
Contributions by and distributions to owners				
Ordinary shares issued on exercise of share options converted into ordinary stocks	92	92	–	–
Dividends paid (Note 27)	(76,567)	–	(76,567)	–
Total transactions with owners in their capacity as owners	(76,475)	92	(76,567)	–
Others				
Transfer of reserve to retained earnings upon expiry of employee share option scheme	–	–	4,081	(4,081)
Total others	–	–	4,081	(4,081)
Closing balance at 31/12/2017	1,593,786	808,030	785,789	(33)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	GROUP	
	2018	**2017**
	$000	**$000**
Cash flows from operating activities		
Profit before tax	58,298	102,957
Amortisation of intangible assets	–	2,015
Depreciation of property, plant and equipment	13,926	16,410
Dividend income from other investments	(2,256)	(1,657)
Finance costs	23,053	21,162
Gain on disposal of property, plant and equipment	(42)	(18)
Impairment loss on intangible assets	–	73
Impairment loss on property, plant and equipment	1,014	–
Impairment loss on investment in associate	337	–
Interest income	(4,498)	(3,103)
Inventories written-down/(written-back)	1,776	(242)
Net gain on disposal and/or liquidation of a business unit and subsidiaries	–	(1,581)
Net surplus on revaluation of investment properties	(14,010)	(44,365)
Properties held for sale written-down	–	9,671
Property, plant and equipment written-off	592	139
Provision in relation to sale of UE BizHub EAST written-back	(10,218)	(16,849)
Share of profit from equity-accounted associates and joint ventures	(3,299)	(1,896)
Others	2,621	325
Operating cash flows before changes in working capital	67,294	83,041
Decrease in inventories	1,171	2,870
(Increase)/decrease in properties held for sale	(413,600)	113,918
Increase/(decrease) in trade and other payables and contract liabilities	36,330	(104,749)
(Increase)/decrease in trade and other receivables and contract assets	(11,584)	140,061
Cash flows (used in)/from operations	(320,389)	235,141
Income taxes paid	(20,406)	(10,738)
Interest paid	(23,075)	(25,320)
Interest received	3,904	3,631
Net cash flows (used in)/from operating activities	(359,966)	202,714
Cash flows from investing activities		
Acquisition of intangible assets	–	(2,648)
Acquisition of interests in an associate	–	(331)
Disposal and/or liquidation of a business unit and subsidiaries, net of cash disposed of (Note A)	–	11,730
Distribution from dissolution of other investments	102	–
Dividends received from associates	10,152	1,928
Dividends received from joint ventures	2,104	–
Dividends received from other investments	2,256	1,657
Increase in amounts due from associates and joint ventures	(658)	(4,494)
Proceeds from disposal of property, plant and equipment	474	439
Proceeds from disposal of other investments	2,851	–
Proceeds from settlement of outstanding consideration	4,584	–
Purchase of property, plant and equipment	(12,502)	(11,411)
Properties development expenditure	(5,155)	(4,899)
Net cash flows from/(used in) investing activities	4,208	(8,029)

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

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	GROUP	
	2018 $000	2017 $000
Cash flows from financing activities		
Acquisition of non-controlling interests	(9,006)	–
Cash distribution paid to non-controlling interests of subsidiaries	–	(206)
Decrease in banker acceptance	(1,543)	(3,021)
Distribution to shareholders from liquidation of a joint venture	22	–
Dividends paid	(24,698)	(73,961)
Dividends paid to non-controlling interests of subsidiaries	(218)	(138)
(Increase)/decrease in short-term loans	49,489	(15,471)
Proceeds from issuance of shares upon exercise of share options	–	92
Proceeds from long-term loans	223,149	471,886
Repayment of medium term notes	–	(246,772)
Repayment of long-term loans	(12,182)	(565,804)
Net cash flows from/(used in) financing activities	225,013	(433,395)
Net decrease in cash and cash equivalents	(130,745)	(238,710)
Cash and cash equivalents, beginning balance	384,711	623,976
Effect of exchange rate changes on cash and cash equivalents	(2,714)	(555)
Cash and cash equivalents, ending balance (Note 21)	251,252	384,711

The net assets and liabilities arising from the disposal and/or liquidation of a business unit and subsidiaries and the cash flow effects of the disposal and/or liquidation were as follows:-

Note A	GROUP 2017 $000
Property, plant and equipment	7,270
Intangible assets	5,265
Inventories	1,328
Trade and other receivables	8,884
Bank balances and deposits	2,825
Trade and other payables	(3,351)
Net assets disposed/liquidated	22,221
Foreign currency translation reserve realised	(268)
Less: Non-controlling interests	244
Net gain on disposals and/or liquidation	1,581
Total consideration	23,778
Less: Outstanding consideration	(4,584)
Less: Settlement with inter-company balances	(4,639)
Cash and cash equivalents disposed of and/or liquidated	(2,825)
Net cash inflow arising from disposal and/or liquidation	11,730

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

1 GENERAL

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

The Company operates in Singapore and its principal activities are those of a holding company and property owner and the provision of management services and deriving income therefrom. The principal activities and place of business of the subsidiaries are set out in Note 13 to the financial statements.

The registered office of the Company is located at:

12 Ang Mo Kio Street 64
#01-01 UE BizHub CENTRAL
Singapore 569088

The principal place of business of the Company is located at:

12 Ang Mo Kio Street 64
#03A-01 UE BizHub CENTRAL
Singapore 569088

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (International) (SFRS(I)).

For all periods up to and including the year ended 31 December 2017, the Group prepared its financial statements in accordance with Financial Reporting Standards in Singapore (FRS). These financial statements for the year ended 31 December 2018 are the first the Group has prepared in accordance with SFRS(I). Refer to Note 2.2 for information on how the Group adopted SFRS(I).

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

The financial statements are presented in Singapore Dollars (SGD or $) and all values in the tables are rounded to the nearest thousand ($000), except when otherwise indicated.

2.2 First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I))

These financial statements for the year ended 31 December 2018 are the first the Group and the Company have prepared in accordance with SFRS(I). Accordingly, the Group and the Company have prepared financial statements that comply with SFRS(I) applicable as at 31 December 2018, together with the comparative period data for the year ended 31 December 2017, as described in the summary of significant accounting policies. On preparing the financial statements, the Group's and the Company's opening financial positions were prepared as at 1 January 2017, being the Group's and the Company's date of transition to SFRS(I).

The principal adjustments made by the Group on adoption of SFRS(I) and the adoption of the new standards that are effective on 1 January 2018 are disclosed below.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 First-time adoption of SFRS(I) *(continued)*

Exemptions applied on adoption of SFRS(I)

SFRS(I) allows first-time adopters exemptions from the retrospective application of certain requirements under SFRS(I). The Group has applied the following exemptions:

- SFRS(I) 3 Business Combinations has not been applied to either acquisitions of subsidiaries that are considered businesses under SFRS(I), or acquisitions of interests in associates and joint ventures that occurred before 1 January 2017. The carrying amounts of assets and liabilities at the date of transition to SFRS(I) is the same as previously reported under FRS.

- SFRS(I) 21 The Effects of Changes in Foreign Exchange Rates has not been applied retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to SFRS(I). Such fair value adjustments and goodwill are treated as assets and liabilities of the parent rather than as assets and liabilities of the acquiree. Therefore, those assets and liabilities are already expressed in the functional currency of the parent or are non-monetary foreign currency items and no further translation differences occur.

- Cumulative currency translation differences for all foreign operations are deemed to be zero at the date of transition, 1 January 2017. As a result, an amount of approximately $31,419,000 was adjusted against the opening retained earnings as at 1 January 2017.

- The comparative information do not comply with SFRS(I) 9 Financial Instruments or SFRS(I) 7 Financial Instruments: Disclosures to the extent the disclosures relate to items within the scope of SFRS(I) 9.

New accounting standards effective on 1 January 2018

The accounting policies adopted are consistent with those previously applied under FRS except that in the current financial year, the Group has adopted all the SFRS(I) which are effective for annual financial periods beginning on or after 1 January 2018. Except for the impact arising from the exemptions applied as described above and the adoption of SFRS(I) 9 and SFRS(I) 15 described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

SFRS(I) 9 Financial Instruments

On 1 January 2018, the Group adopted SFRS(I) 9 Financial instruments, which is effective for annual periods beginning on or after 1 January 2018.

The changes arising from the adoption of SFRS(I) 9 have been applied retrospectively. The Group has elected to apply the exemption in SFRS(I) 1 and has not restated comparative information in the year of initial application. The impact arising from SFRS(I) 9 adoption was included in the opening retained earnings at the date of initial application, 1 January 2018. The comparative information was prepared in accordance with the requirements of FRS 39.

<u>Classification and measurement</u>

SFRS(I) 9 requires debt instruments to be measured either at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVPL). Classification of debt instruments depends on the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). An entity's business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity either from collecting contractual cash flows, selling financial assets or both. If a debt instrument is held to collect contractual cash flows, it is measured at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held both to collect the assets' contractual cash flows and to sell the assets are measured at FVOCI. Financial assets are measured at FVPL if they do not meet the criteria of FVOCI or amortised cost.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 First-time adoption of SFRS(I) *(continued)*

SFRS(I) 9 Financial Instruments *(continued)*

Classification and measurement *(continued)*

The assessment of the business model and whether the financial assets meet the SPPI requirements was made as of 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018.

The Group's debt instruments have contractual cash flows that are solely payments of principal and interest. The Group has a mixed business model. Debt instruments that were measured at amortised cost previously are held to collect contractual cash flows, and accordingly measured at amortised cost under SFRS(I) 9. For debt instruments that were measured at FVOCI previously, the Group's business model is to hold the debt instrument to collect contractual cash flows and sell, and accordingly measured at FVOCI when it applies SFRS(I) 9. There is no significant impact arising from measurement of these instruments under SFRS(I) 9.

For equity securities, the Group continues to measure its currently available for sale equity securities at FVOCI.

The initial application of SFRS(I) 9 does not have any reclassification and measurement effect to the Group's and Company's financial statements.

Impairment

SFRS(I) 9 requires the Group to record expected credit losses on all of its financial assets measured at amortised cost or FVOCI. The Group previously recorded impairment based on the incurred loss model when there is objective evidence that a financial asset is impaired.

On adoption of SFRS(I) 9, there is no significant impact on the impairment of the financial assets.

SFRS(I) 15 Revenue from Contracts with Customers

The Group adopted SFRS(I) 15 which is effective for annual periods beginning on or after 1 January 2018.

The Group applied SFRS(I) 15 retrospectively and has elected to apply the exemption in SFRS(I) 1 to apply the following practical expedients in accordance with the transition provisions in SFRS(I) 15:

- For completed contracts, the Group has not restated contracts that begin and end within the same year or are completed contracts as at 1 January 2017;
- For completed contracts that have variable consideration, the Group has used the transaction price at the date the contract was completed instead of estimating variable consideration amounts in the comparative year ended 31 December 2017;
- The Group has not adjusted the transaction price for the existence of significant financing component when the period between the transfer of control of good or service to a customer and the payment date is one year or less; and
- For the comparative year ended 31 December 2017, the Group has not disclosed the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the corresponding revenue is expected to be recognised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 First-time adoption of SFRS(I) *(continued)*

SFRS(I) 15 Revenue from Contracts with Customers *(continued)*

The key impact of adopting SFRS(I) 15 is detailed as follows:

Sale of development properties

a) Timing of revenue recognition

The Group is in the business of developing residential and commercial properties. The Group previously recognised revenue from the sale of development properties under construction using the percentage of completion method for contracts where the legal terms were such that the construction represented the continuous transfer of work in progress to the purchaser, otherwise, the completed contract method was used. Under SFRS(I) 15, for most of its residential and commercial developments, performance obligations for the sale of development properties are satisfied over time where 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.

The Group has determined that for certain sale of residential properties where revenue was previously recognised upon completion, its performance does not create an asset with alternative use to the Group and it has concluded that it has an enforceable right to payment for performance completed to date. Therefore, revenue is recognised over time under SFRS(I) 15.

As a result, the Group recognised an adjustment to increase properties held for sale by $2,346,000, increase trade and other payables by $349,000 with a corresponding adjustment to retained earnings of $1,997,000 on 1 January 2017.

The Group income statement for the year end 31 December 2017 was also restated, resulting in a decrease in revenue and cost of sales of $13,563,000 and $11,566,000 respectively.

b) Capitalised contract costs

The Group pays commissions to property agents on the sale of property and previously recognised such commissions as expense when incurred. The Group applied the practical expedients in SFRS(I) 15 for costs to obtain a contract to expense those costs that would have been amortised over one year or less. Where amortisation period will be longer than one year, the Group will capitalise the incremental costs of obtaining a contract that meet the criteria in SFRS(I)15. Under SFRS(I) 15, the Group capitalises such commissions as incremental costs to obtain a contract with a customer if these costs are recoverable. These costs are amortised to income statement as the Group recognises the related revenue. Arising from this change, the Group recognised an increase in capitalised contract costs of $1,343,000 and a corresponding increase in retained earnings by $1,343,000 on 1 January 2017.

Gross amount due from customers for contract work of $13,565,000 and gross amount due to customers for contract work of $3,805,000 as at 31 December 2017 were reclassified to contract assets and contract liabilities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 First-time adoption of SFRS(I) *(continued)*

The following is the reconciliation of the impact arising from the first-time adoption of SFRS(I) including application of the new accounting standards on 1 January 2017 to certain line items in the statement of financial position of the Group:

	GROUP			
	1 January 2017 (FRS) $000	SFRS(I) 1 adjustments $000	SFRS(I) 15 adjustments $000	1 January 2017 (SFRS(I)) $000
Assets				
Current assets				
Properties held for sale	654,315	–	2,346	656,661
Equity and liabilities				
Current liabilities				
Trade and other payables	218,839	–	349	219,188
Equity				
Retained earnings	1,167,482	(31,419)	1,997	1,138,060
Other reserves	(30,100)	31,419	–	1,319

The following is the reconciliation of the impact arising from the first-time adoption of SFRS(I) including application of the new accounting standards on 31 December 2017 to certain line items in the statement of financial position of the Group:

	GROUP		
	31 December 2017 (FRS) $000	SFRS(I) 1 adjustments $000	31 December 2017 (SFRS(I)) $000
Equity and liabilities			
Equity			
Retained earnings	1,190,312	(31,813)	1,158,499
Other reserves	(34,595)	31,813	(2,782)

The adoption of SFRS(I) does not have any impact to the statement of financial position of the Company as at 1 January 2017 and 31 December 2017.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 First-time adoption of SFRS(I) *(continued)*

The following is the reconciliation of the impact arising from the first-time adoption of SFRS(I) and application of the new accounting standards to certain line items in the comprehensive income of the Group for the year ended 31 December 2017:

		GROUP	
	2017 (FRS) $000	**SFRS(I) 15 adjustments $000**	**2017 (SFRS(I)) $000**
Revenue	539,359	(13,563)	525,796
Cost of sales	(341,603)	11,566	(330,037)
Other income	70,190	(394)	69,796
Profit net of tax	85,840	(2,391)	83,449
Other comprehensive income items that will be reclassified to income statement	(3,919)	394	(3,525)

2.3 Standards issued but not yet effective

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

	Effective date (Annual periods beginning on or after)
SFRS(I) 16 Leases	1 January 2019
SFRS(I) INT 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to SFRS(I) 9 Prepayment Features with Negative Compensation	1 January 2019
Amendments to SFRS(I) 1-28 Long-term Interests in Associates and Joint Ventures	1 January 2019
Annual Improvements to SFRS(I)s 2015-2017 Cycle	1 January 2019
Amendments to SFRS(I) 10 and SFRS(I) 1-28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Date to be determined

Except for SFRS(I) 16, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of SFRS(I) 16 are described below.

SFRS(I) 16 Leases

SFRS(I) 16 requires lessees to recognise most leases on statement of financial position. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make a lease payment (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Standards issued but not yet effective *(continued)*

SFRS(I) 16 Leases *(continued)*

The Group plans to adopt SFRS(I) 16 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, 1 January 2019.

On the adoption of SFRS(I) 16, the Group expects to choose, on a lease-by-lease basis, to measure the right-of-use asset at either:

(i) its carrying amount as if SFRS(I) 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate as of 1 January 2019; or

(ii) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 January 2019.

In addition, the Group plans to elect the following practical expedients:

- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply SFRS(I) 16 to all contracts that were previously identified as leases
- to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 January 2019
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics

On the adoption of SFRS(I) 16, the Group expects to record an adjustment to increase the right-of-use assets and corresponding adjustment to lease liabilities for the financial year ended 31 December 2019. In addition, the Group expects to record an adjustment to increase its depreciation and interest expense with related adjustment to lease expenses.

2.4 Basis of consolidation and business combinations

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 interests even if that results in a deficit balance.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.4 Basis of consolidation and business combinations *(continued)*

Basis of consolidation (continued)

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

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

Business combinations

Business combinations (other than combinations involving entities or businesses under common control which are accounted for by applying the pooling of interest method) are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

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

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

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

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

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 a gain on bargain purchase in the income statement on the acquisition date.

Business combinations involving entities under common control

Business combinations involving entities or businesses under common control are accounted for by applying the pooling of interest method. The assets and liabilities of the combining entities or businesses are reflected at their carrying amounts reported in the consolidated financial statements. The retained earnings and other reserves recognised in the combined financial statements are the retained earnings and other reserves of the combining entities or businesses immediately before the combination.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.4 Basis of consolidation and business combinations *(continued)*

Business combinations involving entities under common control (continued)
Any difference between the consideration paid and the share capital of the acquired entity or the net tangible asset amount of the acquired business is reflected within equity as merger reserve or deficit. The combined income statement reflects the results of the combining entities or businesses for the full year, irrespective of when the combination takes place. Comparatives are presented as if the entities or businesses had always been combined since the date the entities or businesses had come under common control.

2.5 Transactions with non-controlling interests

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable 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 differences between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received are recognised directly in equity and attributed to owners of the Company.

2.6 Revenue recognition

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 goods or services. 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.

Sale of goods
Revenue from sale of goods is recognised when the goods are delivered to the customers and all criteria for acceptance have been satisfied. The amount of revenue recognised is based on the estimated transaction price, which comprises the contractual price. Based on the Group's experience with similar types of contracts, variable consideration is typically constrained and is included in the transaction only to the extent that it is a highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates its assessment of the estimated transaction price, including its assessment whether an estimated variable consideration is constraint. The corresponding amounts are adjusted against revenue in the period in which the transaction price changes.

The Group has elected to apply the practical expedient to recognise the incremental costs of obtaining a contract as an expense when incurred where the amortisation period of the asset that would otherwise be recognised is one year or less.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Revenue recognition *(continued)*

Rendering of services
Revenue from services rendered is recognised upon services performed.

Sale of development property held for sale
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.

In determining the transaction price, the Group adjusts the promised consideration for the effects of the time value of money for contracts with customers that include a significant financing component. In adjusting for the significant financing component, the Group uses a discount rate that would be reflected in a separate financing transaction between the Group and its customer at contract inception, such that it reflects the credit characteristics of the party receiving financing in the contract. The Group has elected to apply the practical expedient not to adjust the transaction price for the existence of significant financing component when the period between the transfer of control of goods or services to a customer and the payment date is one year or less.

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 advance 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.

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.

Dividend and interest income
Dividend income is recognised when the Group's right to receive payment is established. Interest income is recognised using the effective interest method.

Compensation and insurance claims
Compensation and insurance claims are recognised when the right to receive payment is established.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.7 Employee benefits

Defined contribution plans
The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. As required by law, the Group's companies in Singapore make contributions to the Central Provident Fund (CPF) 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.

Defined benefit plans
Defined benefit plans are post-employment benefit pension plans other than defined contribution plans. Defined benefit plans typically define the amount of benefit that an employee will receive on or after retirement, usually dependent on one or more factors such as age, years of service and compensation.

The net defined benefit liability or assets recognised in the statements of financial position in respect of a defined benefit pension plan is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market yields of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and have tenures approximating to that of the related post-employment benefit obligations.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period when they arise.

Service costs and net interest on the net defined benefit liability or asset are recognised immediately in the income statement.

Equity compensation benefits
In previous financial years, the Company also operated the United Engineers Share Option Scheme 2000 (Scheme 2000) to grant non-transferable options to certain employees of the Company as consideration for services rendered. When the options were exercised, the proceeds received net of any transaction costs were credited to share capital of the Company accordingly.

The compensation cost of these equity-settled transactions with employees is measured by reference to the fair value of the options at the date on which the share options are granted which takes into account market conditions and non-vesting conditions.

The compensation cost is recognised in the income statement with a corresponding increase in the employee share option reserve, over the vesting period that is the period which the service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each reporting period 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 the income statement for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market or non-vesting condition, which are treated as vested irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. In the case where the option does not vest as the result of a failure to meet a non-vesting condition that is within the control of the Group or the employee, it is accounted for as a cancellation. In such case, the amount of the compensation cost that otherwise would be recognised over the remainder of the vesting period is recognised immediately in the income statement upon cancellation. The employee share option reserve is transferred to retained earnings upon expiry of the share options.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.7 Employee benefits *(continued)*

Equity compensation benefits (continued)
Where the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. Additional expense is recognised for any increase in the total fair value of the share options due to the modification, as measured at the date of the modification.

Where the employee share option plan is cancelled, it is treated as if it had vested on the date of cancellation, and any expense that otherwise would have been recognised for services received over the remaining vesting period is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new employee share option plan is substituted for the cancelled employee share option plan, and designated as a replacement employee share option plan on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transactions are treated equally.

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

2.8 Foreign currencies

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

(a) *Transactions and balances*
Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was 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 the income statement except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to income statement of the Group on disposal of the foreign operation.

(b) *Consolidated financial statements*
For consolidation purpose, the assets and liabilities of foreign operations are translated into Singapore Dollars at the rate of exchange ruling at the end of the reporting period and their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in foreign currency translation reserve relating to that particular foreign operation is recognised in the income statement.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.9 Income taxes

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

Current taxes are recognised in the income statement except to the extent that the tax relates to items recognised outside income statement, 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.

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

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

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

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

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

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

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

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

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

Deferred tax relating to items recognised outside income statement is recognised outside income statement. 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.9 Income taxes *(continued)*

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

Goods and services tax/sales tax
Revenues, expenses and assets are recognised net of the amount of goods and services tax/sales tax except:

- Where the goods and services tax/sales tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the goods and services tax/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 goods and services tax/sales tax included.

The net amount of goods and services tax/sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2.10 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment.

For self-constructed assets, the cost includes materials, direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use, and the cost of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs.

The accounting policy for borrowing costs is set out in Note 2.23. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Leases with unexpired terms of over 100 years are classified as long leaseholds; those under 100 years are classified as leaseholds.

No depreciation is provided on freehold/long leasehold land as it has an unlimited and long useful life respectively.

Assets under construction are not depreciated as these assets are not yet available for use.

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

Leasehold land	-	over terms of lease ranging from 8 to 99 years
Leasehold buildings	-	lower of term of lease and 50 years
Freehold/long leasehold buildings	-	50 years
Plant and machinery	-	2 to 15 years
Motor vehicles and other assets	-	2 to 10 years

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.10 Property, plant and equipment *(continued)*

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

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

2.11 Investment properties

Investment properties comprise completed properties and properties under construction or re-development held on a long-term basis for their investment potential and income.

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

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

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

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.10 up to the date of change in use.

Investment properties under construction (IPUC)
IPUC is measured at fair value when the fair value is reliably determinable in accordance with SFRS(I) 40, Investment Property. When assessing whether the fair value of IPUC can be determined reliably the Company considers, among other things:

- Is the asset being constructed in a developed liquid market?
- Has a construction contract with the contractor been signed?
- Are the required building and letting permits obtained?
- What percentage of rentable area has been pre-leased to tenants?

IPUC for which fair value cannot be determined reliably is measured at cost less impairment.

The fair value of IPUC was determined at the end of the reporting period based on valuation by a qualified independent valuer. The valuation was performed based on open market value in existing state of construction, as deemed appropriate by the valuer. Each IPUC is individually assessed.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.12 Subsidiaries, associates and joint ventures

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

The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Associate
An associate is an entity, not being a subsidiary or a joint venture, in which the Group has the power to participate in the financial and operating policy decisions of the entity but does not have control or joint control of those policies. The entity will be treated as an associate from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investment in associate is measured in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates.

Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortised nor tested individually for impairment.

Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is included as income in the determination of the Group's share of results of the associate in the period in which the investment is acquired.

The Group's share of the results of its associates is its effective share of the profit attributable to equity holders of the associates. Where there has been a change recognised in other comprehensive income by the associates, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associates.

The Group's share of the results of its associates is shown on the face of income statement after tax and non-controlling interests in the associates.

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

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

The financial years of some of the associates are not co-terminous with that of the Company. In the case of the associates whose financial years are not co-terminous, the share of profits or losses is arrived at from the last audited financial statements available and unaudited management accounts to the end of the Company's financial year. Where necessary, adjustments are made for the effects of significant transactions or events that occur between that date and reporting date of the Company, and to bring the accounting policies in line with those of the Group.

Upon loss of significant influence over the associate, the Group measures the retained interest at fair value. Any difference between the fair value of the aggregate of the retained interest and the proceeds from disposal and the carrying amount of the investment at the date the equity method was discontinued is recognised in income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.12 Subsidiaries, associates and joint ventures *(continued)*

Joint venture

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, where the strategic, financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control. The Group's investments in joint ventures are accounted for using the equity method. Under the equity method, the investment in joint venture is carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the joint venture. The income statement reflects the share of the results of operations of the joint ventures. Where there has been a change recognised in other comprehensive income by the joint ventures, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint ventures.

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

When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss with respect to the Group's net investment in the joint ventures. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the 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 joint venture and its carrying value and recognises the amount in the income statement.

Upon loss of joint control, the Group measures any retained interest at its fair value. Any difference between the fair value of the aggregate of the retained interest and proceeds from disposal and the carrying amount of the investment at the date the equity method was discontinued is recognised in income statement.

Accounting for subsidiaries, associates and joint ventures by the Company

In the Company's separate financial statements, investments in subsidiaries, associates and joint ventures are accounted for at cost less impairment losses. Loans and amounts due from or to subsidiaries, associates and joint ventures are classified and accounted for as financial assets at amortised cost under SFRS(I) 9. The accounting policy for this category of financial asset is stated in Note 2.14.

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. The costs incurred in bringing the inventories to their present location and conditions are determined on a weighted average basis. 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. The cost of finished goods and work-in-progress include raw materials, direct costs of production and an appropriate proportion of overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs to completion and the estimated costs necessary to make the sale.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.14 Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when the entity becomes party to the contractual provisions of the instruments.

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 income statement.

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

a) 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 the income statement when the assets are derecognised or impaired, and through amortisation process.

(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 the income statement. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the income statement 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 instrument that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in the income statement in the period in which it arises.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.14 Financial assets *(continued)*

Subsequent measurement (continued)

b) 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 the income statement when the Group's right to receive payments is established. For investments in equity instruments (not held for trading) which the Group has not elected to present subsequent changes in fair value in OCI, changes in fair value are recognised in the income statement.

c) Derivatives

The Group uses derivative financial instruments such as interest rate swaps and foreign currency forward contracts to hedge its risks associated primarily with interest rate and foreign currency fluctuations. It is the Group's policy not to trade in derivative financial instruments.

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value at the end of each reporting period. Derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gain or loss arising from changes in fair value on derivative financial instruments is taken to the income statement for the year.

The fair value of foreign currency forward contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

Details of the Group's financial risk management objectives and policies are set out in Note 32.

Derecognition

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

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 income statement. 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).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.15 Impairment of financial assets *(continued)*

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 period. 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.

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.

2.16 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting period to determine whether there is any indication of impairment. If any such indication exists, or when annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

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

Impairment losses of continuing operations are recognised in the income statement, 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. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.17 Properties held for sale

Development properties held for sale
Development projects for which revenue is recognised using the percentage of completion method is stated at cost plus estimated profits to-date less progress billings. Progress claims from purchasers of residential units for sale are shown as a deduction from the cost of the development properties held for sale.

Development projects for which revenue is recognised using the completed contract method is stated at cost. Progress claims from purchasers of residential units for sale are included in "trade and other payables" as "progress billings received in advance".

Allowance for foreseeable losses is made when it is anticipated that the net realisable value has fallen below cost.

Costs include cost of land and construction, related overhead expenditure and financing charges incurred up to the completion of construction. Financing charges incurred to finance the development of such properties are capitalised during the period that is required to complete and prepare each property for its sale. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

Developments are considered completed upon the issue of Temporary Occupation Permit. When completed, development properties held for sale are transferred to completed properties held for sale.

Profit on development properties held for sale using the percentage of completion method is recognised on partly completed projects which have been sold and is based on the accounting policy in Note 2.6. The expected profit is assessed having regard to the sales procured less attributable total costs including the cost of land, construction and interest and after making due allowance for known potential costs overruns and allowance for contingencies.

Progress billings not yet paid by customers are included in trade and other receivables.

Completed properties held for sale
Completed properties held for sale are stated at the lower of cost and net realisable value. Cost includes cost of land and construction, related overhead expenditure, and financing charges and other net costs incurred during the period of development. The costs are assigned by using specific identification. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

Allowance for impairment is made when it is anticipated that the net realisable value has fallen below cost.

Revenue from completed properties held for sale is recognised upon execution of Sale and Purchase Agreements and issue of Notice of Vacant Possession.

2.18 Cash and cash equivalents

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.19 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the end of the reporting period.

Borrowings
Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in income statement over the period of the borrowings using the effective interest method.

Convertible bonds
When convertible bonds are issued, the total proceeds are allocated to the liability component and the equity component, which are separately presented on the statement of financial position.

The liability component is recognised initially at its fair value, determined using a market interest rate for equivalent non-convertible bonds. It is subsequently carried at amortised cost using the effective interest method until the liability is extinguished on conversion or redemption of the bonds.

The difference between the total proceeds and the liability component is allocated to the conversion option (equity component), which is presented in equity net of deferred tax effect. The carrying amount of the conversion option is not adjusted in subsequent periods. When the conversion option is exercised, its carrying amount will be transferred to the share capital account. When the conversion option lapses, its carrying amount will be transferred to retained earnings.

2.20 Financial liabilities

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

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

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged, cancelled or has expired. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.21 Provisions

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

Provisions are reviewed at 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. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

A provision for warranty is recognised for all products under warranty at the end of the reporting period. The provision is calculated based on service history.

2.22 Leases

As lessor
Leases where 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 2.6. Contingent rents are recognised as revenue in the period in which they are earned.

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

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

2.23 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.24 Financial guarantees

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

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

2.25 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 uncertain future event(s) 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 uncertain future event(s) not wholly within the control of the Group.

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

2.26 Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

Government grants are recognised in the income statement 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 deducted in reporting the related expenses.

2.27 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managing directors who are responsible for or have an oversight over the performance of the respective segments under their charge. The management and board of directors of the Company regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 36.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.28 Share capital and share issuance expenses

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

2.29 Treasury shares

The Group's own equity instruments, which are reacquired (treasury shares) or arising from business combination are recognised at cost and deducted from equity. No gain or loss is recognised in income statement 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.

2.30 Transfers between levels of the fair value hierarchy

Transfers between levels of the fair value hierarchy are deemed to have occurred on the date of the event or change in circumstances that caused the transfers.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

3.1 Judgements made in applying accounting policies

The following is the judgement, apart from those involving estimations, made by management in the process of applying the Group's accounting policies that has the most significant effect on the amounts recognised in the financial statements.

Income tax
The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the Group-wide provision for income taxes. Tax is computed in accordance with taxation rules in each jurisdiction. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's income tax payable, deferred tax liabilities and deferred tax assets as at 31 December 2018 are $30,348,000 (31 December 2017: $43,079,000; 1 January 2017: $31,679,000), $54,609,000 (31 December 2017: $56,986,000; 1 January 2017: $75,188,000) and $29,259,000 (31 December 2017: $29,263,000; 1 January 2017: $46,162,000) respectively.

Impairment of property, plant and equipment
Property, plant and equipment are reviewed for impairment whenever there is an indication that these assets may be impaired. The Group considers the guidance of SFRS(I)1-36 in assessing whether there is any indication that an item of property, plant and equipment may be impaired. This assessment required significant judgement. If any such indication exists, the recoverable amount of the property, plant and equipment is estimated to ascertain the amount of impairment loss. The recoverable amount is defined as the higher of the fair value less cost to sell and value-in-use. The carrying amount of the Group's property, plant and equipment as at 31 December 2018 is $141,385,000 (31 December 2017: $148,277,000; 1 January 2017: $162,909,000).

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

3.2 Key sources of estimation uncertainty

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

Useful lives of plant and machinery
The cost of plant and machinery is depreciated on a straight-line basis over the useful lives estimated to be within 2 to 15 years. The carrying amount of the plant and machinery as at 31 December 2018 is $39,334,000 (31 December 2017: $38,450,000; 1 January 2017: $43,208,000). Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. Based on management's estimates, a 5% difference in the expected useful lives of these assets would result in approximately 1% (2017: approximately 1%) variance in the Group's profit before tax from continuing operations for the financial year.

Provision for expected credit losses of trade receivables
The Group uses a provision matrix to calculate ECLs for trade receivables. 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.

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 customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 19.

The carrying amount of trade receivables as at 31 December 2018 is $49,062,000 (31 December 2017: $59,236,000, 1 January 2017: $199,962,000).

Provision in relation to the sale of UE BizHub EAST
The Group recognises a provision in relation to the sale of UE BizHub EAST as disclosed in Note 25. The provision is reviewed at the end of each reporting period and adjusted to reflect the current best estimates. In determining the fair value of the provision, assumptions and estimates are made in relation to occupancy rate, rental rate, discount rate and current information available to compute the net operating expenses and net property income as well as refurbishment and reinstatement costs. These estimates are based on present obligations under the contract and local market conditions existing at the end of each reporting period. If the present value of estimated future cash flows of the underlying components of the property has been 5% lower than management's estimates, the carrying amount of the provision will be approximately $1,214,000 (31 December 2017: $2,237,000; 1 January 2017: $3,610,000) higher.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

3.2 Key sources of estimation uncertainty *(continued)*

Estimation of net realisable value of properties held for sale
Properties held for sale are stated at the lower of cost and net realisable value.

Net realisable value of the properties represents the estimated selling price in the ordinary course of the business, based on market prices at the end of the reporting period and discounted for the time value of money if material, less estimated costs to be incurred in selling the property.

Revaluation of investment properties
Investment property comprises real estate (land or building, or both) held by the Group in order to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes.

The Group carries its completed investment properties at fair value, with changes in fair values being recognised in the income statement. The Group engaged independent valuation specialists to determine fair value as at 31 December 2018. The fair value of investment properties are determined using recognised valuation techniques.

The determination of the fair values of these investment properties require the use of estimates such as future cash flows from assets (such as lettings, tenants' profiles, future revenue streams, any environmental matters and the overall repair and condition of the property) and capitalisation rates applicable to those assets. These estimates are based on local market conditions existing at the end of each reporting period.

The key methodology used for valuing investment properties is set out in Note 12.

4 REVENUE

	GROUP	
	2018	2017
	$000	$000
Sale of goods	166,957	213,394
Sale of properties held for sale	22,336	129,679
Rental income	125,488	130,034
Contract revenue	52,258	46,374
Dividend income	2,256	1,657
Rendering of services	5,614	4,658
	374,909	525,796

4 REVENUE *(continued)*

a) Disaggregation of revenue

Segments	Property Rental & Hospitality		Property Development		Distribution		Engineering		Manufacturing		Corporate Services & Others		Total revenue	
	2018 $000	2017 $000	2018 $000	2017 $000	2018 $000	2017 $000	2018 $000	2017 $000	2018 $000	2017 $000	2018 $000	2017 $000	2018 $000	2017 $000
Primary geographical markets														
Singapore	570	1,640	–	24,850	24,363	51,068	36,038	30,178	2,194	1,352	17	11	63,182	109,099
Malaysia	–	–	6,243	11,692	2	63	22,976	25,989	–	–	–	–	29,221	37,744
ASEAN (excluding Singapore and Malaysia)	–	–	–	–	6	5	955	980	132	111	–	–	1,093	1,096
China	8	299	16,093	93,137	–	–	23	49	36,969	49,571	9,847	7,714	62,940	150,770
Asia (excluding ASEAN and China)	–	–	–	–	–	24	3	70	808	593	–	–	811	687
USA	–	–	–	–	–	–	–	–	18,046	19,712	35,334	34,436	53,380	54,148
Others	–	–	–	–	23,133	25,827	421	714	12,931	14,020	53	–	36,538	40,561
	578	1,939	22,336	129,679	47,504	76,987	60,416	57,980	71,080	85,359	45,251	42,161	247,165	394,105
Major product or service lines														
Sale of goods	8	299	–	–	38,730	73,009	11,905	12,575	71,080	85,359	45,234	42,152	166,957	213,394
Sale of properties held for sale	–	–	22,336	129,679	–	–	–	–	–	–	–	–	22,336	129,679
Rendering of services	570	1,640	–	–	–	–	5,027	3,009	–	–	17	9	5,614	4,658
Contract revenue	–	–	–	–	8,774	3,978	43,484	42,396	–	–	–	–	52,258	46,374
	578	1,939	22,336	129,679	47,504	76,987	60,416	57,980	71,080	85,359	45,251	42,161	247,165	394,105
Timing of transfer of goods and services														
At a point in time	578	1,939	16,093	93,137	38,730	73,009	11,905	12,575	71,080	85,359	45,251	42,161	183,637	308,180
Over time	–	–	6,243	36,542	8,774	3,978	48,511	45,405	–	–	–	–	63,528	85,925
	578	1,939	22,336	129,679	47,504	76,987	60,416	57,980	71,080	85,359	45,251	42,161	247,165	394,105

4 REVENUE *(continued)*

b) Judgement and methods used in estimating revenue

i) Recognition of revenue from properties held for sale over time

For the sale of properties held for sale 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 properties held for sale to the customers, as it reflects the Group's efforts incurred to date relative to the total inputs expected to be incurred for the properties held for sale. 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 properties held for sale, 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		
		31 December	1 January
	2018	2017	2017
	$000	$000	$000
Receivables from contracts with customers (Note 19)	49,062	59,236	199,962
Contract assets (Note 19)	10,209	13,565	13,466
Contract liabilities (Note 26)	4,882	3,805	1,682

The Group has recognised impairment losses on receivables arising from contracts with customers amounting to $929,000 (31 December 2017: $1,279,000).

Contract assets primarily relate to the Group's right to consideration for work completed but not yet billed at reporting date. Contract assets are transferred to receivables when the rights become unconditional. The contract assets balance decreased as the Group provided fewer services ahead of the agreed payment schedules.

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. Contract liabilities are recognised as revenue as the Group performed its obligation under the contract. The contract liabilities increased as there were more contracts in which the Group has billed and received consideration ahead of provision of services.

4 REVENUE *(continued)*

c) Contract assets and contract liabilities *(continued)*

Revenue recognised in relation to contract liabilities

	GROUP	
	2018 $000	2017 $000
Revenue recognised that was included in the contract liability balance at the beginning of the year	1,950	1,161

d) Transaction price allocated to remaining performance obligation

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 in the amount 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 is not included in the transaction price.

The Group has also applied the practical expedient not to disclose the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the Group expects to recognise that amounts as revenue for the previous financial year.

As at 31 December 2018, the aggregate amount of the transaction price allocated to the remaining performance obligation is approximately $28 million. The Group expects that 94% may be recognised as revenue in financial year 2019 with the remaining 6% after the financial year 2019.

5 INTEREST INCOME

	GROUP	
	2018 $000	2017 $000
Interest income from:		
Debt instruments at amortised cost	4,498	–
Loans and receivables	–	3,103

6 OTHER INCOME

Other income includes the following items:

Gain on disposal of a business unit	–	1,677
Gain on disposal of property, plant and equipment	42	18
Net surplus on revaluation of investment properties (Note 12)	14,010	44,365
Write-back of provision in relation to the sale of UE BizHub EAST (Note 25)	10,218	16,849

7 FINANCE COSTS

	GROUP	
	2018 $000	2017 $000
Interest expense on:		
– Bank loans and bank overdrafts carried at amortised cost	25,137	24,332
Less: Interest expense capitalised in:		
– Properties held for sale (Note 20)	(2,084)	(3,170)
Total finance costs	23,053	21,162

8 PROFIT BEFORE TAX

Profit before tax is stated after including the following expenses by nature:

Amortisation of intangible assets	–	(2,015)
Depreciation of property, plant and equipment (Note 11)	(13,926)	(16,410)
Direct operating expenses arising from investment properties (Note 12)	(31,237)	(33,133)
Impairment loss on financial assets:		
– Trade receivables (Note 19)	(929)	(1,279)
Impairment loss on intangible assets	–	(73)
Impairment loss on property, plant and equipment (Note 11)	(1,014)	–
Inventories recognised as an expense in cost of sales (Note 18)	(95,132)	(113,819)
Loss on disposal/liquidation of subsidiaries	–	(96)
Net foreign exchange loss	(642)	(373)
Inventories written-down (Note 18)	(2,414)	(628)
Reversal of write-down of inventories (Note 18)	638	870
Properties held for sale written-down (Note 20)	–	(9,671)
Staff costs (including director's remuneration)		
– Salaries, wages, bonuses and other costs	(85,226)	(89,884)
– Central Provident Fund and other defined contribution plans	(8,246)	(8,612)
Audit fees:		
– Auditor of the Company	(524)	(896)
– Other auditors	(440)	(414)
Non-audit fees:		
– Auditor of the Company	(245)	(162)
– Other auditors	(180)	(225)
Total audit and non-audit fees	(1,389)	(1,697)

9 INCOME TAX EXPENSE

Major components of income tax expense for the financial years ended 31 December are:

	GROUP	
	2018 $000	2017 $000
Income statement		
Current income tax:		
– Current income taxation	8,689	18,958
– (Over)/under provision in respect of prior years	(718)	3,215
	7,971	22,173
Deferred tax:		
– Origination and reversal of temporary differences	(1,806)	(2,941)
– (Over)/under provision in respect of prior years	(865)	276
	(2,671)	(2,665)
Income tax expense recognised in the income statement	5,300	19,508

The income tax expense on the results for the financial year varies from the amount of income tax determined by applying the Singapore standard rate of income tax to profit before tax due to the following factors:

	GROUP	
	2018 %	2017 %
Applicable tax rate	17.0	17.0
Adjustments:		
Expenses not deductible for tax purposes	8.8	8.5
Income not subject to tax	(11.0)	(12.6)
Utilisation of previously unrecognised deferred tax assets	(4.8)	(0.8)
Deferred tax assets from previously unrecognised tax losses	(3.6)	–
Effect of current year's tax losses not recognised	6.1	3.6
(Over)/under provision of income tax in respect of prior years	(2.4)	3.3
Effect of change in tax rates	(0.2)	0.2
Effect of differences in tax rates in other countries where the Group operates	0.2	–#
Share of profit from equity-accounted associates and joint ventures	(1.0)	(0.3)
Effective tax rate	9.1	18.9

Tax losses of $2,125,000 (2017: $744,000) for the Group have been utilised during the financial year.

There are no income tax consequences attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 27).

Represents amount less than 0.1%.

10 EARNINGS PER STOCK UNIT

Basic and diluted EPS is calculated by dividing net profit attributable to owners of the Company and after deducting preference dividends by the weighted average number of ordinary stock units in issue during the financial year.

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

	GROUP	
	2018	**2017**
	$000	**$000**
Net profit attributable to owners of the Company used in computation of basic and diluted EPS	55,760	87,182
Less: Preference dividends	(66)	(66)
	55,694	87,116
	No. of shares 000	**No. of shares 000**
Weighted average number of ordinary stock units applicable to basic and diluted EPS	637,520	637,509

As there were no share options outstanding at the end of the current and previous financial year, the basic and diluted earnings per share are the same.

11 PROPERTY, PLANT AND EQUIPMENT

GROUP	Freehold/ long leasehold land $000	Freehold/ long leasehold buildings $000	Leasehold land and buildings $000	Capital work-in-progress $000	Plant and machinery $000	Motor vehicles and other assets $000	Total $000
Cost							
At 1 January 2017	26,323	26,260	82,845	3,792	76,633	25,860	241,713
Additions	74	474	331	–	7,626	2,906	11,411
Amount written-off	–	(2)	(619)	–	(1,450)	(1,544)	(3,615)
Currency realignment	(286)	(3,697)	(459)	–	(3,439)	(710)	(8,591)
Disposal of a business unit	–	–	(3,614)	–	(15,041)	(2,329)	(20,984)
Disposals	–	–	–	–	(999)	(1,665)	(2,664)
Reclassification from inventories	–	–	–	–	98	–	98
Reclassification	–	–	101	(3,309)	3,291	(83)	–
At 31 December 2017 and 1 January 2018	26,111	23,035	78,585	483	66,719	22,435	217,368
Additions	119	260	300	–	9,491	2,332	12,502
Amount written-off	–	–	(322)	(483)	(2,109)	(480)	(3,394)
Currency realignment	(1,262)	1,119	(882)	–	(3,901)	(729)	(5,655)
Disposals	–	–	–	–	(2,722)	(793)	(3,515)
At 31 December 2018	24,968	24,414	77,681	–	67,478	22,765	217,306
Accumulated depreciation and impairment loss							
At 1 January 2017	–	(12,515)	(20,501)	(349)	(33,425)	(12,014)	(78,804)
Amount written-off	–	2	552	–	1,393	1,529	3,476
Charge for the financial year	–	(1,327)	(3,550)	–	(8,165)	(3,408)	(16,450)
Currency realignment	–	3,205	313	–	2,716	566	6,800
Disposal of a business unit	–	–	3,144	–	8,958	1,612	13,714
Disposals	–	–	–	–	673	1,570	2,243
Reclassification from inventories	–	–	–	–	(70)	–	(70)
Reclassification	–	–	–	349	(349)	–	–
At 31 December 2017 and 1 January 2018	–	(10,635)	(20,042)	–	(28,269)	(10,145)	(69,091)
Amount written-off	–	–	245	–	2,105	452	2,802
Charge for the financial year	–	(1,070)	(3,400)	–	(6,655)	(2,841)	(13,966)
Currency realignment	–	(998)	592	–	2,271	400	2,265
Disposals	–	–	–	–	2,404	679	3,083
Impairment loss	–	–	(1,014)	–	–	–	(1,014)
At 31 December 2018	–	(12,703)	(23,619)	–	(28,144)	(11,455)	(75,921)
Net book value							
At 1 January 2017	26,323	13,745	62,344	3,443	43,208	13,846	162,909
At 31 December 2017	26,111	12,400	58,543	483	38,450	12,290	148,277
At 31 December 2018	24,968	11,711	54,062	–	39,334	11,310	141,385

11 PROPERTY, PLANT AND EQUIPMENT *(continued)*

COMPANY	Leasehold land and building $000	Capital work-in-progress $000	Motor vehicles and other assets $000	Total $000
Cost				
At 1 January 2017	25,938	483	8,908	35,329
Additions	–	–	853	853
Disposals	–	–	(389)	(389)
At 31 December 2017 and 1 January 2018	25,938	483	9,372	35,793
Additions	–	–	394	394
Amount written-off	–	(483)	–	(483)
Disposals	–	–	(17)	(17)
At 31 December 2018	25,938	–	9,749	35,687
Accumulated depreciation				
At 1 January 2017	(5,306)	–	(7,288)	(12,594)
Charge for the financial year	(786)	–	(636)	(1,422)
Disposals	–	–	317	317
At 31 December 2017 and 1 January 2018	(6,092)	–	(7,607)	(13,699)
Charge for the financial year	(786)	–	(699)	(1,485)
Disposals	–	–	16	16
At 31 December 2018	(6,878)	–	(8,290)	(15,168)
Net book value				
At 1 January 2017	20,632	483	1,620	22,735
At 31 December 2017	19,846	483	1,765	22,094
At 31 December 2018	19,060	–	1,459	20,519

	GROUP	
	2018 $000	2017 $000
The depreciation charge for the financial year in the income statement is as follows:		
Depreciation for the financial year	13,966	16,450
Current financial year's depreciation capitalised	(40)	(40)
Charged to the income statement (Note 8)	13,926	16,410

11 PROPERTY, PLANT AND EQUIPMENT *(continued)*

Assets pledged as security

Certain property, plant and equipment have been pledged as collateral to secure the banking facilities for certain subsidiaries, as follows:

	GROUP		
		31 December	1 January
	2018	2017	2017
	$000	$000	$000
Freehold land, freehold buildings and plant and machinery	4,571	4,124	4,669

Impairment of asset

During the financial year, a subsidiary of the Group within the Manufacturing segment carried out a review of the recoverable amount of its factory building in Malaysia. An impairment loss of $1,014,000 (2017: Nil), representing the write-down of the asset to the recoverable amount, based on an independent professional valuation, was recognised in the income statement for the financial year ended 31 December 2018.

12 INVESTMENT PROPERTIES

Investment properties owned by the Group include office, hospitality, industrial and retail space and comprised mainly completed properties.

	GROUP		COMPANY	
	2018	2017	2018	2017
	$000	$000	$000	$000
Statement of financial position:				
(a) Freehold land and buildings				
At 1 January	837,382	837,099	–	–
Currency realignment	–	3	–	–
Revaluation deficit recognised in the income statement	(1,394)	(2,026)	–	–
Subsequent expenditure	4,394	2,306	–	–
At 31 December	840,382	837,382	–	–
(b) Long leasehold land and buildings				
At 1 January	723,306	680,400	722,400	679,500
Currency realignment	–	6	–	–
Revaluation surplus recognised in the income statement	7,761	42,892	7,500	42,892
Subsequent expenditure	–	8	–	8
At 31 December	731,067	723,306	729,900	722,400
(c) Leasehold land and buildings				
At 1 January	347,939	341,919	–	–
Currency realignment	(52)	(41)	–	–
Revaluation surplus recognised in the income statement	7,643	3,499	–	–
Subsequent expenditure	761	2,562	–	–
At 31 December	356,291	347,939	–	–
At valuation	1,927,740	1,908,627	729,900	722,400

12 INVESTMENT PROPERTIES *(continued)*

	GROUP		COMPANY	
	2018 $000	2017 $000	2018 $000	2017 $000
Income statement:				
Rental income from investment properties:				
– Minimum lease payments	71,442	77,204	40,057	40,259
Direct operating expenses (including repairs and maintenance) (Note 8) arising from:				
– Rental generating properties	31,156	33,054	18,412	18,140
– Non-rental generating properties	81	79	–	–
	31,237	33,133	18,412	18,140

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

Valuation of investment properties

Investment properties are stated at their fair value, which has been determined based on independent professional valuations performed as at 31 December 2018, 31 December 2017 and 1 January 2017. The valuations were performed by Edmund Tie & Company (SEA) Pte Ltd, Colliers International Consultancy & Valuation (Singapore) Pte Ltd, Henry Butcher Malaysia (Johor) Sdn Bhd, Henry Butcher Malaysia (Sabah) Sdn Bhd (31 December 2017 and 1 January 2017: PA International Property Consultants Sdn Bhd, JS Valuers Property Consultant (E.M.) Sdn Bhd) and Shanghai Orient Appraisal Co., Ltd. (31 December 2017 and 1 January 2017: Yinxin Assets Appraisal Co., Ltd). These were independent valuers with recognised and relevant professional qualification and with experience in the location and category of the properties being valued. Majority of the valuations are based on the income method that makes reference to estimated market rental values, equivalent yields and discount rate. Others are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction. In relying on the valuation reports, management has exercised its judgement and is satisfied that the valuation methods and estimates are reflective of current market conditions. Details of the valuation techniques and inputs are disclosed in Note 34.

Properties pledged as security

Investment properties amounting to $1,143,800,000 (31 December 2017: $1,133,000,000; 1 January 2017: $1,126,720,000) have been mortgaged to secure term loan facilities for certain subsidiaries (Note 24).

13 INTERESTS IN SUBSIDIARIES

	COMPANY		
	2018 $000	31 December 2017 $000	1 January 2017 $000
Unquoted equity shares at cost	150,988	150,988	150,988
Impairment losses	(60,195)	(60,195)	(60,195)
Carrying amount of investments	90,793	90,793	90,793
Loans receivable	1,008,142	923,141	960,159
Allowance for doubtful loans receivable	(45,203)	(45,203)	(45,203)
	962,939	877,938	914,956
	1,053,732	968,731	1,005,749

13 INTERESTS IN SUBSIDIARIES *(continued)*

Included in loans receivable are non-interest bearing unsecured loans of $789,738,000 (31 December 2017: $704,826,000; 1 January 2017: $652,089,000) which form part of the Company's net investment in the subsidiaries. The other loans receivable are unsecured and bear interest ranging from 1.6% to 3.7% (31 December 2017: 0.3% to 3.7%; 1 January 2017: 0.3% to 4.2%) per annum. All loans receivable are not expected to be repayable within the next 12 months.

Receivables that are impaired
At the end of the reporting period, the Company has provided an allowance of $45,203,000 (31 December 2017: $45,203,000; 1 January 2017: $45,203,000) for impairment of the unsecured loans to certain subsidiaries. These subsidiaries have been suffering significant financial losses for the past financial years.

The subsidiaries are as follows:

Name of company	Principal activities (Place of business)[1]	Effective equity interest held by the Group		
		2018 %	31 December 2017 %	1 January 2017 %
Incorporated in Singapore				
McAlister and Company, Limited	Investment holding and provision of management services	100	100	100
MFS Technology Ltd	Liquidated	–	–	52.2
O'Connor's Holdings Pte Ltd	Investment holding	69.1	67.6	67.6
O'Connor's Singapore Pte Ltd	System Integrator and value-added reseller of security, telecommunication, scientific and medical systems	69.1	67.6	67.6
O'Connor's Technology Pte. Ltd.	Dormant	69.1	67.6	67.6
Puffersoft Labs Pte. Ltd.	Dormant	55.3	54.1	54.1
Shenyang Summer Palace Pte. Ltd.	Investment holding	69.1	67.6	67.6
Speedling Investment Pte Ltd	Investment holding	69.1	67.6	67.6
UE Centennial Venture Pte. Ltd.	Investment holding	100	100	100
UE Dairy Farm Pte. Ltd.	Property development and leasing	100	–	–
UE Development (Alexandra) Pte. Ltd.	Property development and leasing	100	100	100
UE Development (Anson) Pte. Ltd.	Property development and leasing	100	100	100
UE Development (Bendemeer) Pte. Ltd.	Property development	100	100	100
UE One-North Developments Pte. Ltd.	Property development and leasing	100	100	100
UE Park Avenue International Pte. Ltd.	Hotel management services	100	100	100

13 INTERESTS IN SUBSIDIARIES *(continued)*

Name of company	Principal activities (Place of business)[1]	Effective equity interest held by the Group 2018 %	31 December 2017 %	1 January 2017 %
Incorporated in Singapore *(continued)*				
UE Support Services Pte Ltd	Management services	100	100	100
UE Trade Corporation Pte Ltd	Investment holding	100	100	100
UE UMC Pte. Ltd.	Investment holding	100	100	100
UE Ville Developments Pte Ltd	Property development and leasing	100	100	100
United Engineers Developments Pte. Ltd.	Property facilities management and leasing	100	100	100
United WBL Technology Pte. Ltd.	Investment holding	81.5	80.6	80.6
WBL Corporation Limited	Investment holding and provision of management services to related companies	69.1	67.6	67.6
WBL Properties (Private) Limited	Investment holding	69.1	67.6	67.6
WBL Services (Private) Limited	Provision of management and financial services to related companies	69.1	67.6	67.6
WBL Properties (China) (Private) Limited	Investment holding and provision of management services to related companies	69.1	67.6	67.6
WBL Engineering & Distribution Pte. Ltd.	Supply and installation of building materials, industrial laundry and automotive parts and equipment	69.1	67.6	67.6
WBL Hollingsworth Singapore Pte. Ltd.	Investment holding	65.2	64.4	64.4
WBL International (1994) Limited	Investment holding	69.1	67.6	67.6
WBL Precision (Private) Limited	Investment holding	69.1	67.5	67.5
WBL Technology (Private) Limited	Investment holding	69.1	67.5	67.5
Incorporated in Malaysia				
Far East Motors Malaysia Sendirian Berhad [2]	Dormant	69.1	67.6	67.6

13 INTERESTS IN SUBSIDIARIES *(continued)*

Name of company	Principal activities (Place of business)[1]	Effective equity interest held by the Group 2018 %	31 December 2017 %	1 January 2017 %
Incorporated in Malaysia *(continued)*				
Kumpulan O'Connor's (Malaysia) Sdn. Bhd. [2]	Investment holding	69.1	67.6	67.6
McAlister Engineering Sdn. Bhd. [2]	Dormant	100	100	100
McAlister Holdings (Malaysia) Sdn. Bhd.	Struck off	–	–	100
McAlister Trading (Malaysia) Sdn. Bhd.	Struck off	–	–	100
O'Connor's Engineering Sdn. Bhd. [2]	Supply, delivery, testing and commissioning of telecommunication, stage rigging system, audio-visual, studio projection and lighting equipment, data communication, card access and security systems, and after-sales service	69.1	67.6	67.6
O'Connor's Enterprise Sdn. Bhd.	Liquidated	–	67.6	67.6
O'Connor's Technologies Sdn. Bhd. [2]	Supply, delivery, testing and commissioning of telecommunication equipment and after-sales service	69.1	67.6	67.6
Peninsular Smart Sdn. Bhd. [2]	Property owner and property developer	100	100	100
Polytek Engineering Sdn. Bhd.	Liquidated	–	67.6	67.6
UE ServiceCorp (Malaysia) Sdn. Bhd.	Struck off	–	100	100
UED Developments (M) Sdn. Bhd. [2]	Civil, electrical, mechanical engineers and contractors	100	100	100
WBL Electronics (Malaysia) Sdn. Bhd. [2]	Dormant	67.4	65.9	65.9
Incorporated in Brunei				
O'Connor's (B) Sdn Bhd	In the process of striking off	69.1	67.6	67.6
Incorporated in Indonesia				
PT UE Developments	Liquidated	–	100	100

13 INTERESTS IN SUBSIDIARIES *(continued)*

Name of company	Principal activities (Place of business)[1]	Effective equity interest held by the Group 31 December 2018 %	2017 %	1 January 2017 %
Incorporated in Myanmar				
UE Myanmar Limited	Dormant	100	100	100
Incorporated in India				
UE Trade Corporation (India) Private Limited	Dormant	100	100	100
Incorporated in Hong Kong				
WBL (Hong Kong) Limited	Investment holding	69.1	67.6	67.6
Incorporated in The People's Republic of China				
Chengdu Huaxin International Realty Co., Ltd.	Property development	69.1	67.6	67.6
Chengdu WBL UEST New Tech Co., Ltd	Production of bio-electronic products	58.5	57.2	57.2
Huaxin Community Broadband Service Co., Ltd.	Liquidated	–	67.6	67.6
Kunming Speedling Co., Ltd.	Under liquidation	62.2	60.8	60.8
Shanghai WBL Enterprise Management Co., Ltd.	Provision of management services for property development	69.1	67.6	67.6
Shenyang Huaxin International City Development Co., Ltd.	Property development	69.1	67.6	67.6
Shenyang Huaxin International Realty Co., Ltd.	Property development	69.1	67.6	67.6
Shenyang Huaxin Property Management Co., Ltd.	Liquidated	–	–	67.6
Shenyang Summer Palace Property Development Co., Ltd.	Property development	69.1	67.6	67.6
Shenzhen Technology Development Corporation #	Dormant	41.5	40.6	40.6
Shenzhen Weko Biotechnology Limited	Dormant	62.2	60.8	60.8

13 INTERESTS IN SUBSIDIARIES *(continued)*

Name of company	Principal activities (Place of business)[1]	Effective equity interest held by the Group 2018 %	31 December 2017 %	1 January 2017 %
Incorporated in The People's Republic of China *(continued)*				
Suzhou Future Agriworld Co., Ltd.	Agribusiness exhibition and trade emporium centre	57.5	56.2	56.2
Suzhou Wearnes Technology Co., Ltd.	Investment holding	69.1	67.5	67.5
WCSY Ltd	Manufacture of electronic components	69.1	67.5	67.5
Wearnes Electronics Shenyang Ltd.	Dormant	60.4	59.4	59.4
WPSY Ltd.	Diecasting and precision engineering	69.1	67.5	67.5
WBL Technology (Shenyang) Ltd.	Property investment	55.3	54.1	54.1
Wuhan Wearnes Technology Co., Ltd.	Liquidated	–	–	61.3
Yuan Wearnes Technology (Changsha) Limited [#]	Dormant	38.0	37.2	37.2
Incorporated in Australia				
Pacific Silica Pty Ltd [2, #]	Mineral sand mining	51.1	49.9	49.9
Incorporated in United Kingdom				
Cambion Electronics Limited [2]	Manufacture of electronic connectors	69.1	67.5	67.5
Incorporated in The United States of America				
Speedling, Incorporated	Transplant technology provider and production of seedlings	69.1	67.6	67.6
WBL (USA) Inc.	Investment holding	69.1	67.6	67.6

All the Singapore incorporated subsidiaries which are subject to an audit are audited by Ernst & Young LLP, Singapore.

[1] Place of business in the respective countries of incorporation unless otherwise stated.

[2] Audited by member firms of Ernst & Young Global in the respective countries.

[#] Accounted for as subsidiary as the company was held through WBL.

13 INTERESTS IN SUBSIDIARIES *(continued)*

The Group has the following subsidiary which has non-controlling interests (NCI) that is material to the Group.

Name of Subsidiary	Place of business	Proportion of ownership interest held by NCI %	Profit allocated to NCI during the financial year $000	Accumulated NCI at the end of the financial year $000	Dividends paid to NCI $000
31 December 2018:					
WBL Corporation Limited	Singapore	30.9	396	166,587	–
31 December 2017:					
WBL Corporation Limited	Singapore	32.4	677	174,962	–
1 January 2017:					
WBL Corporation Limited	Singapore	32.4	50,669	173,797	91,143

Summarised financial information including goodwill on acquisition and consolidation adjustments but before intercompany eliminations of subsidiaries with material non-controlling interests are as follows:

Summarised statement of financial position

	WBL Corporation Limited		
	2018 $000	31 December 2017 $000	1 January 2017 $000
Current			
Assets	300,572	89,512	88,867
Liabilities	(225,188)	(2,950)	(3,549)
Net current assets	75,384	86,562	85,318
Non-current			
Assets	478,734	683,647	681,305
Liabilities	(15,000)	(230,204)	(230,214)
Net non-current assets	463,734	453,443	451,091
Net assets	539,118	540,005	536,409

13 INTERESTS IN SUBSIDIARIES *(continued)*

Summarised statement of comprehensive income

	WBL Corporation Limited	
	2018 $000	**2017 $000**
Revenue	2,274	3,206
Profit before income tax	1,291	2,122
Income tax expense	(8)	(34)
Profit after tax	1,283	2,088
Other comprehensive income	(2,171)	1,508
Total comprehensive income	(888)	3,596
Other summarised information		
Net cash flows used in operations	(1,442)	(1,692)

Acquisition of additional shareholding interests from non-controlling interests

During the financial year, UE Centennial Venture Pte. Ltd. acquired additional shareholding interest in WBL Corporation Limited (WBL) from its non-controlling interests at the consideration of $2.07 per WBL stock unit for an aggregate cash consideration of approximately $9.0 million. As a result of the acquisition, the Group's effective shareholding interest in WBL increased from 67.6% to 69.1%. The difference of $4.9 million between the consideration and the carrying value of the additional interest acquired was recognised within equity.

14 INTERESTS IN ASSOCIATES

	GROUP			COMPANY		
		31 December	1 January		31 December	1 January
	2018 $000	**2017 $000**	**2017 $000**	**2018 $000**	**2017 $000**	**2017 $000**
Investments in associates	55,330	58,530	56,059	315	315	315
Loans receivable	50,867	53,700	53,700	–	–	–
Amounts receivable	2,562	2,799	2,945	7	95	107
	53,429	56,499	56,645	7	95	107
Allowance for doubtful receivables	–	(85)	(85)	–	(85)	(85)
	53,429	56,414	56,560	7	10	22
	108,759	114,944	112,619	322	325	337

The loans and amounts receivable are mainly non-trade in nature, unsecured, interest-free, to be settled in cash and are not expected to be repayable within the next 12 months.

14 INTERESTS IN ASSOCIATES *(continued)*

The associates are as follows:

Name of company	Principal activities (Place of business)[1]	Effective equity interest held by the Group		
		2018 %	31 December 2017 %	1 January 2017 %
Incorporated in Singapore				
Lycorpipe Investment Pte. Ltd. #	Investment holding	11	11	11
MaxLee Development Pte. Ltd.	Investment holding, property development and investment	35	35	35
The Seletar Mall Pte. Ltd. [2]	Property investments and managing shopping centre	30	30	30
Incorporated in Malaysia				
Apex Pharmacy Holdings Sendirian Berhad	Investment holding	30	30	30
Asia Travel Service (Malaysia) Sdn. Bhd.	Struck off	–	30	30
BlueScope Buildings (Malaysia) Sdn. Bhd.	Design, supply and install pre-engineered building products	40	40	–
NS Bluescope Lysaght Malaysia Sdn Bhd	Manufacture, supply and install steel building products	40	40	40
Incorporated in Thailand				
Rank P.T. O'Connor's Co., Ltd	Ceased operation	27.0	26.4	26.4
O'Connor's (Thailand) Co., Ltd	System integration and trading and distribution of engineering systems	33.9	33.1	33.1
Incorporated in Taiwan				
Global Investment Holdings Co., Ltd #	Investment holding and financial services	14.2	13.9	13.9
Wearnes Global Co., Ltd	Trading of electronic components	33.5	32.8	32.8

14 INTERESTS IN ASSOCIATES *(continued)*

Name of company	Principal activities (Place of business)[1]	Effective equity interest held by the Group		
			31 December	1 January
		2018	2017	2017
		%	%	%
Incorporated in The People's Republic of China				
Advance Science-Lab Industries (Panyu) Co., Ltd #	Manufacture of laboratory equipment and furniture	13.8	13.5	13.5
Laiyang Speedling Co., Ltd	Under liquidation	27.7	27.0	27.0
Incorporated in The United States of America				
Chrontel, Inc.	Development of integrated circuits	30.3	29.7	29.7

1 Place of business in the respective countries of incorporation unless otherwise stated.

2 Audited by KPMG LLP, Singapore.

Accounted for as associate as the Group has significant influence over the financial and operating policy decisions of the investees

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

	GROUP		
		31 December	1 January
	2018	2017	2017
	$000	$000	$000
Assets and liabilities:			
Assets	690,509	716,896	713,508
Liabilities	(494,127)	(509,722)	(516,568)

	GROUP	
	2018	2017
	$000	$000
Profit and loss:		
Profit for the financial year	14,279	13,889
Other comprehensive income	(2,823)	(556)
Total comprehensive income	11,456	13,333

15 INTERESTS IN JOINT VENTURES

	GROUP		
	2018	31 December 2017	1 January 2017
	$000	$000	$000
Investments in joint ventures	40,685	44,607	46,783
Amounts receivable/(payable)	4,145	3,331	(1,305)
	44,830	47,938	45,478

The amounts receivable/payable are mainly non-trade, unsecured, interest-free, to be settled in cash and are not expected to be repayable within the next 12 months.

The joint ventures are as follows:

Name of company	Principal activities (Place of business)[1]	Effective equity interest held by the Group		
		2018	31 December 2017	1 January 2017
		%	%	%
Incorporated in Singapore				
Greatearth Developments Pte Ltd	Real estate development and investment holding	50	50	50
Incorporated in Malaysia				
Permata Alasan (M) Sdn Bhd	Property investment	34.6	33.8	33.8
Renown Heritage Sdn. Bhd.	Liquidated	–	33.8	33.8
Incorporated in The People's Republic of China				
Chongqing Huaxin International Realty Co., Ltd.	Property development	34.6	33.8	33.8
Shanghai Olympic Garden Property Development Co., Ltd.	Property development	31.1	30.5	30.5
Suzhou Huaxin International Real Estate Co., Ltd.	Property development	23.0	22.5	22.5
Suzhou Industrial Park Huaxin International Urban Development Co., Ltd.	Property development	32.8	32.1	32.1

[1] Place of business in respective countries of incorporation unless otherwise stated.

15 INTERESTS IN JOINT VENTURES *(continued)*

The summarised financial information of joint ventures relating to the Group's interest in the joint ventures which are not individually material, are as follows:

	GROUP		
		31 December	1 January
	2018	2017	2017
	$000	$000	$000
Assets and liabilities:			
Assets	86,294	66,000	67,227
Liabilities	(45,610)	(21,392)	(20,445)

	GROUP	
	2018	2017
	$000	$000
Profit and loss:		
Loss after income tax from continuing operations	(1,021)	(1,719)
Other comprehensive income	(776)	(455)
Total comprehensive income	(1,797)	(2,174)

16 DEFERRED TAX

	GROUP	
	2018	2017
	$000	$000
Balance at beginning of the financial year	27,723	29,026
Currency realignment	317	411
(Credited)/debited to equity	(19)	951
(Credited)/debited to income statement		
- Current year	(1,806)	(2,941)
- (Over)/under provision in respect of prior year	(865)	276
Balance at end of the financial year	25,350	27,723

16 DEFERRED TAX *(continued)*

	GROUP		
	2018	31 December 2017	1 January 2017
	$000	$000	$000
The deferred taxation arises as result of:			
Deferred tax liabilities			
Accrued income on completed project	43,064	43,595	57,915
Excess of net book value over the tax written down value of property, plant and equipment	3,822	5,983	8,160
Others	1,562	1,503	3,640
Unremitted earnings	6,161	5,905	5,473
	54,609	56,986	75,188
Deferred tax assets			
Excess of tax written down value over net book value of property, plant and equipment	(1,306)	(1,409)	(1,286)
General provisions	(15,947)	(14,281)	(20,915)
Provision in relation to sale of UE BizHub EAST	(4,134)	(7,613)	(12,280)
Unutilised tax losses	(7,872)	(5,960)	(11,681)
	(29,259)	(29,263)	(46,162)
	25,350	27,723	29,026

Unrecognised tax losses, reinvestment allowance and capital allowances

Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profit is probable. As at 31 December 2018, the Group has unabsorbed tax losses and unutilised capital allowances of approximately $186,532,000 (31 December 2017: $171,647,000; 1 January 2017: $179,034,000) and $2,809,000 (31 December 2017: $2,948,000; 1 January 2017: $3,479,000) respectively, available for set-off against future assessable income subject to agreement with the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate. The tax losses have no expiry date except for $64,836,000 (31 December 2017: $80,132,000; 1 January 2017: $86,996,000) which will expire between 2019 and 2036 (31 December 2017: 2018 and 2036; 1 January 2017: 2017 and 2036).

Deferred tax liabilities have not been recognised for withholding and other taxes that would be payable on the unremitted earnings of $1,195,000 (31 December 2017: $2,187,000; 1 January 2017: $3,594,000) of certain overseas subsidiaries as the timing of the reversal of the temporary difference arising from such amounts can be controlled and it is probable that such temporary difference will not reverse in the foreseeable future.

Tax consequences of proposed dividends

There are no income tax consequences attached to the dividends to the shareholders proposed by the Company in the current and previous financial years but not recognised as a liability in the financial statements (Note 27).

17 OTHER INVESTMENTS

	GROUP			COMPANY		
	2018 $000	31 December 2017 $000	1 January 2017 $000	2018 $000	31 December 2017 $000	1 January 2017 $000
Non-current:						
At fair value through other comprehensive income						
- Equity securities (quoted)	24,235	–	–	–	–	–
- Equity securities (unquoted)	2,516	–	–	1,209	–	–
Available-for-sale financial assets						
- Quoted equity shares, at fair value	–	27,770	22,424	–	–	–
- Unquoted equity shares, at fair value	–	2,605	2,645	–	1,197	1,130
	26,751	30,375	25,069	1,209	1,197	1,130

The Group has elected to measure these equity securities at FVOCI due to the Group's intention to hold these equity instruments for long-term appreciation.

During the financial year, the Group has derecognised its investment in financial assets at FVOCI due to a merger. The fair value at the date of derecognition amounted to approximately $28.8 million. The cumulative gain arising from the derecognition of approximately $5.3 million was transferred from fair value reserve to retained earnings.

The Group recognised dividend income of $2,256,000 from other investments during the financial year.

18 INVENTORIES

	GROUP		
	2018 $000	31 December 2017 $000	1 January 2017 $000
Statement of financial position:			
Inventories at lower of cost and net realisable value			
- Engineering supplies and raw materials	10,115	10,358	9,576
- Trading inventories and finished goods	9,175	9,724	14,690
- Work-in-progress	4,925	7,081	6,880
Total inventories at 31 December	24,215	27,163	31,146

	GROUP	
	2018 $000	2017 $000
Income statement:		
Inventories recognised as an expense in cost of sales	95,132	113,819
Inclusive of the following charge/(credit)		
- Inventories written-down	2,414	628
- Reversal of write-down of inventories	(638)	(870)

The reversal of write-down of inventories was made when the related inventories were sold above the carrying amounts.

19 TRADE AND OTHER RECEIVABLES

	GROUP			COMPANY		
	2018	31 December 2017	1 January 2017	2018	31 December 2017	1 January 2017
	$000	$000	$000	$000	$000	$000
Total trade and other receivables (current):						
Trade receivable	56,990	68,572	210,299	4,108	4,155	3,291
Allowance for doubtful receivables	(7,928)	(9,336)	(10,337)	(2,644)	(2,644)	(2,644)
	49,062	59,236	199,962	1,464	1,511	647
Contract assets (Note 4(c))	10,209	13,565	13,466	–	–	–
Other receivables:						
Claims/expenses recoverable	56	95	187	–	1	–
Deposits	5,481	4,660	5,453	157	192	138
Due from subsidiaries	–	–	–	30,857	1,754	3,664
Project advance	2,213	2,850	4,628	–	–	–
Amount receivables for disposal of a business unit/liquidation of subsidiaries	–	4,584	–	–	–	–
Sundry receivables	34,514*	9,324	10,920	–	48	676
	42,264	21,513	21,188	31,014	1,995	4,478
Allowance for doubtful receivables	(3,192)	(3,376)	(3,658)	(866)	(866)	(866)
	39,072	18,137	17,530	30,148	1,129	3,612
	98,343	90,938	230,958	31,612	2,640	4,259
Add:						
Loans and amounts receivables:						
- Subsidiaries (Note 13)	–	–	–	173,201	173,112	262,867
- Associates (Note 14)	53,429	56,414	56,560	7	10	22
- Joint ventures (Note 15)	4,145	3,331	–	–	–	–
Bank balances and deposits (Note 21)	251,252	384,711	623,976	22,352	117,919	420,959
Less:						
Contracts assets (Note 4(c))	(10,209)	(13,565)	(13,466)	–	–	–
Total financial assets carried at amortised cost	396,960	521,829	898,028	227,172	293,681	688,107

* Included GST input tax of approximately $25.8 million in respect of the land acquisition at Dairy Farm Road.

Trade receivables

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

There are no retention sums relating to construction contracts for the current and previous financial year.

19 TRADE AND OTHER RECEIVABLES *(continued)*

Trade receivables (continued)

The Group's trade receivables denominated in foreign currencies (with reference to the respective functional currencies of the Company and the respective subsidiaries) as at 31 December 2018 are as follows:

- $9,725,000 (31 December 2017: $5,641,000; 1 January 2017: $7,017,000) denominated in United States Dollars and
- $1,399,000 (31 December 2017: $3,584,000; 1 January 2017: $1,479,000) denominated in other foreign currencies.

Due from subsidiaries

Amounts receivable from subsidiaries are mainly non-trade in nature, unsecured, to be settled in cash and bear interest of 6.5% (2017: 6.5%) per annum. Interest rates are repriced at intervals of 1, 2, 3 or 6 months.

Receivables that are past due but not impaired

The Group has trade and other receivables amounting to $12,983,000 as at 31 December 2017 and $16,284,000 as at 1 January 2017 that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting period is as follows:

	GROUP	
	31 December 2017 $000	1 January 2017 $000
Trade and other receivables past due but not impaired:		
Less than 30 days	8,345	9,755
30 to 60 days	1,922	2,141
61 to 90 days	526	1,752
91 to 120 days	565	715
More than 120 days	1,625	1,921
	12,983	16,284

Receivables that are impaired

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

	GROUP	
	Collectively Impaired	
	31 December 2017 $000	1 January 2017 $000
Trade and other receivables - nominal amounts	13,128	14,225
Less: Allowance for impairment	(12,712)	(13,995)
	416	230

19 TRADE AND OTHER RECEIVABLES *(continued)*

	GROUP	
	Trade receivables	Other receivables
	$000	$000
Movement in allowance accounts:		
At 1 January 2017	(10,337)	(3,658)
Charge for the year	(1,279)	–
Disposal of a business unit and subsidiaries	60	–
Written-off	420	15
Written-back	1,749	267
Exchange differences	51	–
At 31 December 2017	(9,336)	(3,376)

Expected credit losses

The movement in allowance for expected credit losses of trade receivables computed based on lifetime ECL are as follows:

	GROUP 2018 $000
Movement in allowance accounts:	
At 1 January	(9,336)
Charge for the year	(929)
Written-off	1,778
Written-back	573
Exchange differences	(14)
At 31 December	(7,928)

20 PROPERTIES HELD FOR SALE

		GROUP	
	2018	31 December 2017	1 January 2017
	$000	$000	$000
Completed properties, at cost			
Land cost	37,335	40,952	37,258
Development costs	295,723	320,685	275,082
	333,058	361,637	312,340
Properties under development			
Land cost	426,782	59,360	91,331
Development expenditure	199,880	136,250	252,990
	626,662	195,610	344,321
	959,720	557,247	656,661

20 PROPERTIES HELD FOR SALE *(continued)*

	GROUP	
	2018	2017
	$000	$000
Interest expense capitalised during the year (Note 7)	2,084	3,170

During the previous financial year, the Group wrote down certain properties under development by $9,671,000, based on an independent professional valuation performed as at 31 December 2017.

Interest capitalised during the financial year is $2,084,000 (2017: $3,170,000) at rates ranging from 2.6% to 6.0% (2017: 3.5% to 6.5%) per annum.

Properties held for sale amounting to $749,950,000 (31 December 2017: $358,549,000; 1 January 2017: $431,588,000) have been mortgaged to secure term loan facilities for certain subsidiaries (Note 24).

Certain projects amounting to $159,798,000 (31 December 2017: $159,567,000; 1 January 2017: $172,427,000) included in properties held for sale are expected to be recovered more than twelve months after the reporting period.

21 BANK BALANCES AND DEPOSITS

	GROUP			COMPANY		
		31 December	1 January		31 December	1 January
	2018	2017	2017	2018	2017	2017
	$000	$000	$000	$000	$000	$000
Cash at banks and in hand	125,980	254,770	409,564	22,352	117,919	311,159
Fixed deposits	125,272	129,941	178,186	–	–	109,800
Project accounts	–	–	36,226	–	–	–
Cash and cash equivalents	251,252	384,711	623,976	22,352	117,919	420,959

The Group's bank balances and deposits denominated in foreign currencies (with reference to the respective functional currencies of the Company and the respective subsidiaries) as at 31 December 2018 are as follows:

- $1,661,000 (31 December 2017: $2,204,000; 1 January 2017: $2,682,000) denominated in United States Dollars;
- $292,000 (31 December 2017: $279,000; 1 January 2017: $1,437,000) denominated in European Dollars; and
- $99,000 (31 December 2017: $380,000; 1 January 2017: $1,409,000) denominated in other foreign currencies.

Bank balances and deposits earn interest at effective interest rates ranging from 0.8% to 3.0% (2017: 0.4% to 2.0%) per annum. Short-term deposits are made for varying periods of between one day and three months depending on the cash requirements of the Group, and earn interests at the respective short-term deposit rates.

The project accounts are maintained in accordance with the Housing Developers Project Account Rules – 1997 Ed. Withdrawals are restricted to payments for expenditure incurred on development projects. As at 1 January 2017, a sum of $28,000,000 of the project accounts was placed in fixed deposits.

22 SHARE CAPITAL AND TREASURY SHARES

	GROUP AND COMPANY			
	2018		2017	
	No. of shares 000	$000	No. of shares 000	$000
(a) Share Capital				
Issued and fully paid:				
7.5 cents cumulative preference shares	875	875	875	875
Ordinary stock units issued and fully paid:				
Balance at 1 January	637,520	807,155	637,452	807,063
Share options exercised	–	–	68	92
Balance at 31 December	637,520	807,155	637,520	807,155
	638,395	808,030	638,395	808,030

The holders of ordinary stock units and preference shares are entitled to receive dividends as and when declared by the Company. The ordinary stock units have no par value. The voting rights of the shares/stock units are as follows:

Preference Share – One vote for one preference share.

Ordinary Stock Unit – One vote for one ordinary stock unit.

Outstanding options

There was no outstanding option as at the current and previous financial years.

	GROUP			
	2018		2017	
	No. of shares 000	$000	No. of shares 000	$000
(b) Treasury shares				
Balance at 1 January and 31 December	(21,712)	(62,313)	(21,712)	(62,313)

Treasury shares relate to ordinary stock units of the Company that are held by a subsidiary. With effect from July 2015 and under the Singapore Companies (Amendment) Act 2014, the subsidiary is permitted to maintain its shareholding in the Company, subject to certain restrictions.

23 OTHER RESERVES

GROUP	Fair value reserve/ AFS reserve $000	Share option reserve $000	Translation reserve $000	Capital reserve on change in non-controlling interests $000	Gain or loss on reissuance of treasury shares $000	Capital reserve on fair value gain from long-term loans $000	Other reserves, total $000
Opening balance at 01/01/2018 (FRS framework)	5,684	85	(37,738)	(9,720)	2,659	4,435	(34,595)
Cumulative effects of adopting SFRS(I)	–	–	31,813	–	–	–	31,813
Opening balance at 01/01/2018 (SFRS(I) framework)	5,684	85	(5,925)	(9,720)	2,659	4,435	(2,782)
Net fair value losses on equity securities at FVOCI	(671)	–	–	–	–	–	(671)
Losses on exchange differences on translation, net of tax	–	–	(9,289)	–	–	–	(9,289)
Share of other comprehensive income from equity-accounted associates, net of tax	(575)	–	–	–	–	73	(502)
Acquisition of non-controlling interests without a change in control	–	–	–	4,851	–	–	4,851
Share of share option reserve from equity-accounted associates	–	81	–	–	–	–	81
Transfer of reserve to retained earnings upon dissolution/ disposal of other investments	(5,248)	–	–	–	–	–	(5,248)
Closing balance at 31/12/2018	(810)	166	(15,214)	(4,869)	2,659	4,508	(13,560)
Opening balance at 01/01/2017 (FRS framework)	(29)	4,081	(31,419)	(9,720)	2,659	4,328	(30,100)
Cumulative effects of adopting SFRS(I)	–	–	31,419	–	–	–	31,419
Opening balance at 01/01/2017 (SFRS(I) framework)	(29)	4,081	–	(9,720)	2,659	4,328	1,319
Gains on remeasuring available-for-sale financial assets, net of tax	5,399	–	–	–	–	–	5,399
Losses on exchange differences on translation, net of tax	–	–	(5,925)	–	–	–	(5,925)
Share of other comprehensive income from equity-accounted associates, net of tax	314	–	–	–	–	107	421
Share of share option reserve from equity-accounted associates	–	85	–	–	–	–	85
Transfer of reserve to retained earnings upon expiry of employee share option scheme	–	(4,081)	–	–	–	–	(4,081)
Closing balance at 31/12/2017	5,684	85	(5,925)	(9,720)	2,659	4,435	(2,782)

23 OTHER RESERVES *(continued)*

COMPANY

	Fair value reserve $000	Other reserves, total $000
Opening balance at 01/01/2018 (FRS and SFRS(I) framework)	(33)	(33)
Net fair value gains on equity securities at FVOCI	12	12
Closing balance at 31/12/2018	(21)	(21)

	AFS reserve $000	Share option reserve $000	Other reserves, total $000
Opening balance at 01/01/2017 (FRS and SFRS(I) framework)	(100)	4,081	3,981
Gains on remeasuring available-for-sale financial assets, net of tax	67	–	67
Transfer of reserve to retained earnings upon expiry of employee share option scheme	–	(4,081)	(4,081)
Closing balance at 31/12/2017	(33)	–	(33)

(a) AFS reserve records the cumulative fair value changes, net of tax, of available-for-sale financial assets until they are derecognised or impaired.

(b) Share option reserve represents the equity-settled share options granted to employees. The reserve is made up of the cumulative value of services received from employees recorded on grant of equity-settled share options.

(c) Translation reserve is used to record 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.

(d) Capital reserve on change in non-controlling interests is used to record the differences arising from the movement in non-controlling interests resulting from the restructuring of the Group.

(e) Gain or loss on reissuance of treasury shares 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.

(f) Capital reserve on fair value gains from long-term loans relates to fair value gains from shareholders loans of an associate.

(g) Fair value reserve records the cumulative fair value changes, net of tax, of equity securities at fair value through other comprehensive income.

24 BORROWINGS

	GROUP			COMPANY		
	2018	31 December 2017	1 January 2017	2018	31 December 2017	1 January 2017
	$000	$000	$000	$000	$000	$000
Current						
Unsecured borrowings under MTN Programme						
- 4.2% p.a. fixed rate SGD notes (repaid in January 2017)	–	–	246,772	–	–	250,023
Banker acceptance:						
- unsecured	2,342	3,886	6,907	–	–	–
Bank loans:						
- secured	300,713	72,619	32,057	–	–	–
- unsecured	57,300	8,407	8,992	57,300	3,700	–
	358,013	81,026	41,049	57,300	3,700	–
	360,355	84,912	294,728	57,300	3,700	250,023
Non-current						
Unsecured borrowings under MTN Programme						
- 3.68% p.a. fixed rate SGD notes (repayable in June 2021)	150,000	150,000	150,000	150,000	150,000	150,000
Bank loans						
- secured						
- Repayable within 2 years	55,958	281,774	52,834	–	–	–
- Repayable within 3 to 5 years	522,400	312,762	691,285	–	–	–
- Repayable after 5 years	–	1,573	2,601	–	–	–
	578,358	596,109	746,720	–	–	–
	728,358	746,109	896,720	150,000	150,000	150,000
Total borrowings	1,088,713	831,021	1,191,448	207,300	153,700	400,023

The borrowings for certain subsidiaries are generally secured on their respective investment properties and properties held for sale (Note 12 and Note 20), and/or fixed/floating charges over certain assets (Note 11).

24 BORROWINGS *(continued)*

The Group's floating rate bank loans comprise:

	2018			2017		
	Effective interest rate % p.a.	Maturity	Total $000	Effective interest rate % p.a.	Maturity	Total $000
Singapore Dollars	1.8 – 3.1	2019 – 2023	879,090	1.7 – 2.6	2018 – 2022	618,997
Chinese Renminbi	4.0 – 6.0	2019 – 2020	51,858	4.0 – 6.0	2018 – 2019	52,655
United States Dollars	3.2 – 4.1	2019	4,827	2.5 – 3.1	2018 – 2025	5,483
Other currencies	4.6	2019	596	–	–	–
			936,371			677,135

A reconciliation of liabilities arising from financing activities is as follows:

			Non-cash changes		
	2017 $000	Cash flows $000	Foreign exchange movement $000	Reclassification $000	2018 $000
Banker acceptance	3,886	(1,543)	(1)	–	2,342
Bank loans					
- Current	81,026	49,489	(24)	227,522	358,013
- Non-current	596,109	210,967	(1,196)	(227,522)	578,358
Total	681,021	258,913	(1,221)	–	938,713

			Non-cash changes		
	1 January 2017 $000	Cash flows $000	Foreign exchange movement $000	Reclassification $000	31 December 2017 $000
Banker acceptance	6,907	(3,021)	–	–	3,886
Bank loans					
- Current	41,049	(41,049)	(29)	81,055	81,026
- Non-current	746,720	(68,340)	(1,216)	(81,055)	596,109
Total	794,676	(112,410)	(1,245)	–	681,021

25 PROVISIONS

	GROUP		
	Sale of BizHub EAST $000	Development charge $000	Total $000
At 1 January 2018	44,746	15,000	59,746
Utilised during the year	(10,248)	–	(10,248)
Unused amounts reversed during the year (Note 6)	(10,218)	–	(10,218)
At 31 December 2018	24,280	15,000	39,280
As at 31 December 2018 (Current)	3,339	–	3,339
As at 31 December 2018 (Non-current)	20,941	15,000	35,941
	24,280	15,000	39,280
At 1 January 2017	72,209	15,000	87,209
Utilised during the year	(10,614)	–	(10,614)
Unused amounts reversed during the year (Note 6)	(16,849)	–	(16,849)
At 31 December 2017	44,746	15,000	59,746
As at 31 December 2017 (Current)	12,967	–	12,967
As at 31 December 2017 (Non-current)	31,779	15,000	46,779
	44,746	15,000	59,746
As at 1 January 2017 (Current)	17,005	–	17,005
As at 1 January 2017 (Non-current)	55,204	15,000	70,204
	72,209	15,000	87,209

Provision in relation to the sale of *UE BizHub EAST*

The provision in relation to the sale of UE BizHub EAST relates to rental income support for the business park and retail components as well as obligation in relation to the hotel component of UE BizHub EAST. The remaining duration for these provision is for a duration of 5 years (31 December 2017: 1 to 6 years; 1 January 2017: 2 to 7 years) from the completion date. Rental income support for business park and retail component is equivalent to the differences between the agreed amount and net property income for each 12-month period commencing from the completion date over the remaining duration, while the provision arising from obligations in relation to the hotel component is equivalent to the differences between the agreed lease and the net hotel income as well as costs to refurbish and reinstate the premise. Assumptions used to calculate the provision in relation to the sale of UE BizHub EAST were based on estimated occupancy level, rental rate, discount rate and current information available to compute the operating expenses and net property income as well as refurbishment and reinstatement costs. During the financial year, the rental support on the business park and retail components had ended and the unutilised provisions relating to these components were fully reversed.

Development charge

The provision for development charge relates to the undertaking provided by a subsidiary to the share purchaser in relation to the divestment of the Group's automotive business in 2014. The undertaking is for the subsidiary to pay a maximum sum of $20 million for its share of any potential development charge and/or differential premiums payable by the share purchaser to government agencies or local authority in respect of certain properties located in Singapore in order to secure or obtain from such properties the benefit of any increase in plot ratio up to the maximum allowable in respect of the approved use and zoning of such properties. The undertaking will continue up to 2024 (i.e. 10 years from the date of completion of the sale of the Automotive business). In 2016, the Group signed a supplementary deed with the share purchaser to reduce the provision amount from $20 million to $15 million following the transfer of automotive business in Thailand.

26 TRADE AND OTHER PAYABLES

	GROUP			COMPANY		
	2018	31 December 2017	1 January 2017	2018	31 December 2017	1 January 2017
	$000	$000	$000	$000	$000	$000
Total trade and other payables (current):						
Trade payables	40,398	38,529	49,610	258	230	205
Contract liabilities (Note 4 (c))	4,882	3,805	1,682	–	–	–
Other payables:						
Accrued staff cost	8,744	9,343	10,821	2,042	2,233	3,191
Accrued job cost	9,522	17,695	17,317	–	–	–
Accrued operating expenses	14,003	14,568	14,050	–	–	–
Deferred income	2,169	2,362	2,087	–	–	–
Deposits	20,012	15,097	30,658	7,078	7,245	7,351
Due to subsidiaries	–	–	–	10,517	70,170	97,621
Interest payable	1,519	1,207	5,366	452	474	4,993
Other accruals	10,872	16,405	28,289	1,505	2,877	3,056
Progress billing received in advance	66,322	8,728	43,927	–	–	–
Sundry payables	19,164	19,001	17,063	1,748	823	858
	152,327	104,406	169,578	23,342	83,822	117,070
	197,607	146,740	220,870	23,600	84,052	117,275
Total trade and other payables (non-current):						
Retention sums	228	3,616	4,300	–	–	–
Total trade and other payables (current and non-current)	197,835	150,356	225,170	23,600	84,052	117,275
Add:						
Amounts payable:						
- Joint ventures (Note 15)	–	–	1,305	–	–	–
Borrowings (Note 24)	1,088,713	831,021	1,191,448	207,300	153,700	400,023
Less:						
Deferred income	(2,169)	(2,362)	(2,087)	–	–	–
Progress billing received in advance	(66,322)	(8,728)	(43,927)	–	–	–
Contract liabilities (Note 4(c))	(4,882)	(3,805)	(1,682)	–	–	–
Total financial liabilities carried at amortised cost	1,213,175	966,482	1,370,227	230,900	237,752	517,298

26 TRADE AND OTHER PAYABLES *(continued)*

Trade payables / Other payables
Trade payables are non-interest bearing and are normally settled on 30 to 60 day terms.

The Group's payables denominated in foreign currencies (with reference to the respective functional currencies of the Company and the respective subsidiaries) as at 31 December 2018 are as follows:

- $5,930,000 (31 December 2017: $3,084,000; 1 January 2017: $4,678,000) denominated in United States Dollars,
- $1,076,000 (31 December 2017: $1,119,000; 1 January 2017: $1,613,000) denominated in other foreign currencies.

Other payables are non-interest bearing and have an average term of six months.

Due to subsidiaries
Amounts payable to subsidiaries are mainly non-trade in nature, unsecured, interest-free, repayable on demand and to be settled in cash.

27 DIVIDENDS PAID

The following dividends were paid:

	GROUP		COMPANY	
	2018 $000	2017 $000	2018 $000	2017 $000
Declared and paid during the financial year:				
Cumulative Preference Shares:				
Tax exempt (one-tier) dividend of 7.5 cents (2017: 7.5 cents)	66	66	66	66
Ordinary Stock:				
- First and final tax exempt (one-tier) dividend of 4 cents (2017: 5 cents)	24,632	30,789	25,500	31,875
- Special tax exempt (one-tier) dividend of Nil cents (2017: 7 cents)	–	43,106	–	44,626
	24,698	73,961	25,566	76,567

Proposed but not recognised as a liability as at 31 December:

The directors have proposed a first and final tax exempt (one-tier) dividend of 3 cents per ordinary stock, amounting to a total of approximately $19,126,000 and a tax exempt (one-tier) dividend of 7.5 cents on the cumulative preference shares, amounting to $66,000. The dividends are subject to shareholders' approval at the upcoming Annual General Meeting.

28 FUTURE CAPITAL COMMITMENTS

	GROUP		
		31 December	1 January
	2018	2017	2017
	$000	$000	$000
Capital commitments contracted for not recognised in the financial statements	15,770	4,920	6,773

29 OPERATING LEASE COMMITMENTS

(a) Lessees' lease commitments

The Group leases certain properties and office equipment under lease agreements that are non-cancellable within a year. The leases expire at various dates and contain provisions for rental adjustments. There are no renewal options or contingent rent provision included in the lease agreements. There are no restrictions placed upon the lessee by entering into these leases. Operating lease payments recognised in the income statement during the financial year amounted to $11,063,000 (2017: $12,868,000). The Group is restricted from subleasing leased equipment to third parties.

Future minimum lease payments payable under non-cancellable operating leases with initial or remaining term of one year or more at the end of the reporting period are as follows:

	GROUP			COMPANY		
		31 December	1 January		31 December	1 January
	2018	2017	2017	2018	2017	2017
	$000	$000	$000	$000	$000	$000
Within one year	11,811	10,957	12,335	1,225	1,294	1,402
After one year but not more than five years	42,821	45,342	46,336	4,894	5,918	6,405
After five years	24,655	8,050	18,998	24,655	–	–
	79,287	64,349	77,669	30,774	7,212	7,807

(b) Lessors' lease commitments

The Group has entered into non-cancellable commercial property leases on its investment properties. All leases include a clause to enable revision of the rental charge on an annual basis based on prevailing market conditions.

Future minimum rental receivable in respect of significant non-cancellable operating leases at the end of the reporting period are as follows:

	GROUP			COMPANY		
		31 December	1 January		31 December	1 January
	2018	2017	2017	2018	2017	2017
	$000	$000	$000	$000	$000	$000
Within one year	69,829	63,216	70,877	33,166	37,110	36,721
After one year but not more than five years	141,826	61,474	75,288	38,692	42,853	49,374
After five years	–	2,016	2,636	–	–	–
	211,655	126,706	148,801	71,858	79,963	86,095

30 EMPLOYEE SHARE OPTION SCHEME

Share options are granted to senior executives with more than 12 months' service. The exercise price of the options is equal to the average of the last dealt prices of the shares for the three (3) consecutive trading days immediately preceding the grant. The options vest if the employee remains in service for a period of one year from the date of grant. The option period commences 1 year after the date of the grant and expires on the day immediately before the 10th anniversary of the date of the grant. There are no cash settlement alternatives. The United Engineers Share Option Scheme expired in financial year 2009.

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in share options for the previous financial year:

	2017 No.	2017 WAEP($)
Outstanding at beginning of the financial year	389,302	2.97
Exercised during the financial year[1]	(67,937)	1.36
Forfeited during the financial year	(321,365)	3.31
Outstanding at the end of the financial year[2]	–	–
Exercisable at end of the financial year	–	–

[1] The weighted average share price for the previous financial year was $2.73.

[2] There were no options outstanding at the end of the financial year and previous financial year.

The fair value of share options as at the date of grant, is estimated by an external valuer using the Binomial model, taking into account the terms and conditions upon which the options were granted. The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the option grant are incorporated into the measurement of fair value.

There were no outstanding share options in respect of unissued stock units of the Company at the end of the financial year.

31 RELATED PARTY TRANSACTIONS

In addition to related party transactions 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	
	2018 $000	2017 $000
Compensation of key management executives		
Short term employee benefits	3,697	3,821
Central Provident Fund	72	80
Total compensation paid to key management executives	3,769	3,901

31 RELATED PARTY TRANSACTIONS *(continued)*

	GROUP	
	2018 $000	2017 $000
Compensation of key management executives *(continued)*		
Comprising amounts paid to:		
Directors of the Company	1,109	1,587 [1]
Other key management executives	2,660	2,314
	3,769	3,901

[1] Includes Mr Norman Ip's appointment as the Group Managing Director for the period from 1 January to 18 October 2017 and Mr Tan Chee Keong Roy 's (Mr Tan) appointment as the Group Managing Director with effect from 19 October 2017. Prior to that, Mr Tan was Group Chief Financial Officer of the Company.

Key Management Executives' Interests in Employee Share Option Scheme
No share option was granted to the directors of the Company and other key management executives during the current and previous financial year. There was no outstanding number of share options granted to directors of the Company and other key management executives at the end of the current and previous financial year. No share option has been granted to the Company's non-executive directors.

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivative financial instruments, comprise bank loans, cash and term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The main risks arising from the Group's financial instruments are credit risk, market price risk, foreign currency risk, interest rate risk and liquidity risk. The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the corporate office. The Audit & Risk Committee provides independent oversight to the effectiveness of the risk management systems and practices for effective risk identification and management, and compliance with internal guidelines and external requirements. The Group does not hold or issue derivative financial instruments for trading purposes. Derivative transactions, including principally interest rate swaps and foreign currency forward contracts are entered into for the purpose of managing the interest rate and currency risks arising from the Group's operations and its sources of financing.

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.

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. Credit risk arising from the inability of a customer to meet the terms of the Group's financial instrument contracts is generally limited to the amounts, if any, by which the customer's obligations exceed the obligations of the Group. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including investment securities and bank balances and deposits), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

It is the Group's policy to sell to a diverse group of customers who have been assessed for their credit worthiness to reduce credit risk. The Group has a formal Group Credit Committee to oversee the management of the Group's debts.

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

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 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 where the receivable remains uncollectible after all reasonable collection efforts have been exhausted. 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 company continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in the income statement.

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk (continued)

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country and industry sector profile/segment 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					
	2018		31 December 2017		1 January 2017	
	$000	% of total	$000	% of total	$000	% of total
By country:						
Singapore	14,529	30	18,314	31	157,387	79
China	9,012	18	13,606	23	15,492	8
USA	10,340	21	11,132	19	12,820	6
Other countries	15,181	31	16,184	27	14,263	7
	49,062	100	59,236	100	199,962	100
By industry sector/segment:						
Property Rental & Hospitality	5,603	11	8,814	15	4,514	2
Property Development	2,681	6	5,455	9	137,018	69
Distribution	9,701	20	8,242	14	17,633	9
Engineering	7,880	16	8,022	14	8,487	4
Manufacturing	16,863	34	21,891	37	24,899	12
Corporate Services & Others	6,334	13	6,812	11	7,411	4
	49,062	100	59,236	100	199,962	100

The Group does not have significant credit risk concentration in any customers.

Financial assets that are neither past due nor impaired

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

Financial assets that are either past due or impaired

The Group provides for lifetime expected credit losses for all trade receivables. The loss allowances provision as at 31 December 2018 is determined as follows, the expected credit losses below also incorporate forward looking information such as forecast of economic conditions where necessary.

GROUP 31 December 2018	Current $000	More than 30 days past due $000	More than 60 days past due $000	More than 90 days past due $000	More than 120 days past due $000	Total $000
Gross carrying amount	42,120	2,604	987	831	10,448	56,990
Loss allowances provision	50	14	4	12	7,848	7,928

During the financial year, the Group wrote-off $1,778,000 of trade receivables which are more than 120 days past due as the Group does not expect to receive future cash flow from these trade receivables and there are no recoveries from collection of cash flow from trade receivables previously written-off.

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates). The Group is exposed to equity price risk arising from its investment in quoted equity instruments. These instruments are quoted on the SGX-ST in Singapore and are classified as financial assets through other comprehensive income (FVOCI) (2017: available-for-sale financial assets).

It is not the Group's policy to actively trade in quoted equity instruments.

Sensitivity analysis for equity price risk
At the end of the reporting period, if the price of the quoted equity instruments listed on the SGX-ST held by the Group been 5% (2017: 5%) higher/lower with all other variables held constant, the Group's other comprehensive income would have been $1,212,000 (2017: $1,389,000) higher/lower, arising as a result of an increase/decrease in the fair value of equity instruments classified as FVOCI (2017: available-for-sale).

Foreign currency risk

The Group has exposure to foreign exchange risk as a result of transactions denominated in a currency other than the respective functional currencies of Group entities, arising from normal trading activities.

As at 31 December 2018, the Group has foreign currencies exposure mainly in United States Dollars in its bank balances and deposits, trade receivables as well as trade payables as disclosed in the respective notes.

It is the Group's policy to hedge these risks through foreign currency forward contracts. The primary purpose of the Group's foreign currency hedging activities is to protect against volatility associated with foreign currency purchases of materials and other assets and liabilities created in the normal course of business. The Group does not use foreign currency forward contracts for trading purposes.

In addition to transactional exposure, the Group is also exposed to currency translation risk arising from its net investments in foreign operations. The Group's net investments in foreign subsidiaries are not hedged as currency positions are considered to be long-term in nature.

Sensitivity analysis for foreign currency risk
The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible change in the USD exchange rate against SGD, with all other variables held constant.

			GROUP	
			2018	**2017**
			$000	**$000**
			Profit net of tax	**Profit net of tax**
USD/SGD	:	strengthened 5% (2017: 5%)	+273	+238
	:	weakened 5% (2017: 5%)	-273	-238

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

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 interest rate exposure relates primarily to its investment portfolio in fixed deposits and the Company's long-term debt obligations. Majority of the Group's and the Company's financial assets and liabilities are at floating rates and are contractually repriced at intervals of 1, 2, 3 or 6 months (2017: 1, 2, 3 or 6 months) from the end of the reporting period.

The Group's policy is to manage interest costs using combination of fixed and floating rate debts taking into consideration the funding requirements of the Group. It is also the Group's policy to hedge its interest rate risk through interest rate cap and swap contracts. As at 31 December 2018 and 2017, the Group has no outstanding interest rate cap and swap contracts.

Sensitivity analysis for interest rate risk
At the end of the reporting period, if SGD interest rates had been 75 (2017: 75) basis points lower/higher with all other variables held constant, the Group's profit net of tax would have been $6,593,000 (2017: $4,642,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate term loans and bank borrowings.

Liquidity risk

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

The Group's and the Company's liquidity risk management policy is to monitor its net operating cash flows and maintain an adequate level of committed banking facilities through regular review of its working capital requirements. At the end of the reporting period, approximately 33% (31 December 2017: 10%; 1 January 2017: 25%) of the Group's borrowings (Note 24) will mature in less than one year based on the carrying amount reflected in the financial statements. Approximately 28% (31 December 2017: 2%; 1 January 2017: 63%) of the Company's borrowings will mature in less than one year at the end of the reporting period.

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 maturing within 12 months can be rolled over with existing lenders.

Analysis of financial instruments 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 repayments obligations.

	1 year or less $000	More than 1 year to 5 years $000	More than 5 years $000	Total $000
GROUP				
At 31 December 2018				
Trade and other payables	192,725	228	–	192,953
Borrowings	391,878	786,499	–	1,178,377
	584,603	786,727	–	1,371,330

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk (continued)

Analysis of financial instruments by remaining contractual maturities (continued)

	1 year or less $000	More than 1 year to 5 years $000	More than 5 years $000	Total $000
GROUP				
At 31 December 2017				
Trade and other payables	142,935	3,616	–	146,551
Borrowings	107,287	793,250	1,714	902,251
	250,222	796,866	1,714	1,048,802
At 1 January 2017				
Trade and other payables	219,188	4,300	–	223,488
Borrowings	321,032	942,113	2,811	1,265,956
	540,220	946,413	2,811	1,489,444
COMPANY				
At 31 December 2018				
Trade and other payables	23,600	–	–	23,600
Borrowings	64,372	161,040	–	225,412
	87,972	161,040	–	249,012
At 31 December 2017				
Trade and other payables	84,052	–	–	84,052
Borrowings	9,293	166,560	–	175,853
	93,345	166,560	–	259,905
At 1 January 2017				
Trade and other payables	117,275	–	–	117,275
Borrowings	255,543	172,080	–	427,623
	372,818	172,080	–	544,898

33 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to maintain healthy capital ratios to sustain growth, maximise shareholder value and fulfil all borrowing covenants.

The Group manages its capital structure and may make adjustments to it, in light of changes in economic conditions. In order to manage or adjust the capital structure, the Group may obtain new borrowings or reduce its borrowings. No changes were made in the objectives, policies and processes during the years ended 31 December 2018 and 2017.

The Group monitors capital using a net debt to equity ratio, which is net borrowings divided by shareholders equity. The Group endeavours to keep its medium to long term net debt to equity ratio to below 1.1 times but will manage the ratio taking into consideration business opportunities and liquidity conditions. Net borrowings include interest-bearing borrowings less bank balances and deposits. Equity includes equity attributable to the owners of the Company.

33 CAPITAL MANAGEMENT *(continued)*

	GROUP	
	2018 $000	2017 $000
Borrowings (Note 24)	1,088,713	831,021
Less: Bank balances and deposits (Note 21)	(251,252)	(384,711)
Net borrowings	837,461	446,310
Equity attributable to owners of the Company	1,926,901	1,901,434
Net debt to equity (times)	0.43	0.23

34 FAIR VALUE OF ASSETS AND LIABILITIES

(A) Fair value hierarchy

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

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

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

The following table shows an analysis of assets and liabilities measured at fair value at the end of the reporting period:

	GROUP			
	2018 $000			
	Fair value measurement at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets measured at fair value				
Financial assets:				
Equity instruments at FVOCI (Note 17)				
- Equity instruments (quoted)	24,235	–	–	24,235
- Equity instruments (unquoted)	–	–	2,516	2,516
Financial assets as at 31 December 2018	24,235	–	2,516	26,751

34 FAIR VALUE OF ASSETS AND LIABILITIES *(continued)*

(B) Assets and liabilities measured at fair value (continued)

The following table shows an analysis of assets and liabilities measured at fair value at the end of the reporting period:

	GROUP			
	2018 $000			
	Fair value measurement at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
Non-financial assets:				
Investment properties (Note 12)	–	–	1,927,740	1,927,740
Non-financial assets as at 31 December 2018	–	–	1,927,740	1,927,740

	GROUP			
	31 December 2017 $000			
	Fair value measurement at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets measured at fair value				
Financial assets:				
Available-for-sale financial assets (Note 17)				
- Equity instruments (quoted)	27,770	–	–	27,770
- Equity instruments (unquoted)	–	–	2,605	2,605
Financial assets as at 31 December 2017	27,770	–	2,605	30,375
Non-financial assets:				
Investment properties (Note 12)	–	–	1,908,627	1,908,627
Non-financial assets as at 31 December 2017	–	–	1,908,627	1,908,627

34 FAIR VALUE OF ASSETS AND LIABILITIES *(continued)*

(B) Assets and liabilities measured at fair value (continued)

The following table shows an analysis of assets and liabilities measured at fair value at the beginning of the reporting period:

	GROUP			
	1 January 2017 $000			
	Fair value measurement at the beginning of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets measured at fair value				
Financial assets:				
Available-for-sale financial assets (Note 17)				
- Equity instruments (quoted)	22,424	–	–	22,424
- Equity instruments (unquoted)	–	–	2,645	2,645
Financial assets as at 1 January 2017	22,424	–	2,645	25,069
Non-financial assets:				
Investment properties (Note 12)	–	–	1,859,418	1,859,418
Non-financial assets as at 1 January 2017	–	–	1,859,418	1,859,418

(C) Level 3 fair value measurement

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

Description	Fair Value at 31 December 2018 $000	Valuation techniques	Unobservable inputs	Range
Recurring fair value measurement				
At FVOCI				
- Equity instruments (unquoted)	2,516	Fair value of underlying assets of investment	Statement of financial position	NA
Investment properties	1,927,740	Income Capitalisation Method	Capitalisation Rate	3.3% to 5.0%

34 FAIR VALUE OF ASSETS AND LIABILITIES *(continued)*

(C) Level 3 fair value measurement (continued)

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

Description	Fair Value at 31 December 2017 $000	Valuation techniques	Unobservable inputs	Range
Recurring fair value measurement				
Available-for-sale financial assets				
- Equity instruments (unquoted)	2,605	Fair value of underlying assets of investment	Statement of financial position	NA
Investment properties	1,908,627	Income Capitalisation Method	Capitalisation Rate	3.3% to 5.0%

Description	Fair Value at 1 January 2017 $000	Valuation techniques	Unobservable inputs	Range
Recurring fair value measurement				
Available-for-sale financial assets				
- Equity instruments (unquoted)	2,645	Fair value of underlying assets of investment	Statement of financial position	NA
Investment properties	1,859,418	Income Capitalisation Method	Capitalisation Rate	3.3% to 5.0%

For equity instruments (unquoted), a significant increase/decrease in the fair value of underlying assets of the investment would result in a significantly higher/lower fair value measurement.

For investment properties, a significant increase/decrease in capitalisation rate would result in a significantly lower/higher fair value measurement.

The following table shows the impact on the Level 3 fair value measurement of assets and liabilities that are sensitive to changes in unobservable inputs that reflect reasonably possible alternative assumptions. The positive and negative effects are approximately the same.

34 FAIR VALUE OF ASSETS AND LIABILITIES *(continued)*

(C) Level 3 fair value measurement (continued)

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

	31 December 2018		
		Effect of reasonably possible alternative assumptions	
	Carrying amount $000	Profit or loss $000	Other comprehensive income $000
Recurring fair value measurement			
Financial assets at FVOCI			
- Equity instruments (unquoted)	2,516	–	126

	31 December 2017		
		Effect of reasonably possible alternative assumptions	
	Carrying amount $000	Profit or loss $000	Other comprehensive income $000
Recurring fair value measurement			
Available-for-sale financial assets			
- Equity instruments (unquoted)	2,605	–	130

In order to determine the effect of the above reasonably possible alternative assumptions, the Group adjusted the following key unobservable inputs used in the fair value measurement.

For equity instruments (unquoted), the Group adjusted the discount for lack of marketability by increasing and decreasing the assumptions by 5%.

34 FAIR VALUE OF ASSETS AND LIABILITIES *(continued)*

(C) Level 3 fair value measurement (continued)

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

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

	GROUP	
	Financial assets at FVOCI	Available-for-sale financial assets
	Equity instruments (unquoted)	
	2018 $000	2017 $000
Opening balance	2,605	2,645
Total gains or losses:		
Disposed of/liquidated	(102)	(107)
Included in other comprehensive income:		
Net fair value losses on equity securities at FVOCI, net of tax	13	–
Gains on remeasuring available-for-sale financial assets, net of tax	–	67
Closing balance	2,516	2,605

	GROUP	
	Investment properties	
	2018 $000	2017 $000
Opening balance	1,908,627	1,859,418
Subsequent expenditure	5,155	4,876
Currency realignment	(52)	(32)
Total gains or losses:		
Included in income statement:		
Net surplus on revaluation of investment properties (Note 6)	14,010	44,365
Closing balance	1,927,740	1,908,627

There has been no transfer from Level 1 and Level 2 to Level 3 during the financial years ended 31 December 2018 and 2017.

iii) Valuation policies and procedures

For all significant financial reporting valuations using valuation models and significant unobservable inputs, it is the Group's policy to engage external valuation experts to perform the valuation. The management is responsible for selecting and engaging valuation experts that possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies, and SFRS(I) 13 fair value measurement guidance.

For valuations performed by external valuation experts, the appropriateness of the valuation methodologies and assumptions adopted are reviewed along with the appropriateness and reliability of the inputs (including those developed internally by the Group) used in the valuations.

34 FAIR VALUE OF ASSETS AND LIABILITIES *(continued)*

(C) Level 3 fair value measurement (continued)

iii) Valuation policies and procedures *(continued)*

In selecting the appropriate valuation models and inputs to be adopted for each valuation that uses significant unobservable inputs, external valuation experts are requested to calibrate the valuation models and inputs to actual market transactions (which may include transactions entered into by the Group with third parties as appropriate) that are relevant to the valuation if such information are reasonably available. For valuations that are sensitive to the unobservable inputs used, external valuation experts are required, to the extent practicable to use a minimum of two valuation approaches to allow for cross-checks.

Significant changes in fair value measurements from period to period are evaluated for reasonableness. Key drivers of the changes are identified and assessed for reasonableness against relevant information from independent sources, or internal sources if necessary and appropriate.

(D) Fair value of assets and liabilities by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

Management has determined that the carrying amounts of cash and short term deposits, trade and other receivables, trade and other payables, floating rate borrowings, loans and amounts receivable from/payable to subsidiaries, associates and joint ventures are based on their notional amounts, reasonably approximate their fair values because these are mostly short-term in nature or that they are floating rate instruments that are repriced to market interest rates on or near the end of the reporting period.

35 SUBSIDIARY'S SHARE OPTION SCHEME

Pacific Silica Pty Ltd ("PSPL")
PSPL Employee Share Option Scheme ("PSPL Scheme")

Share options are granted to employees and directors of PSPL under the PSPL Scheme.

During the current financial and previous financial year, no grant under the PSPL Scheme has been made and as at 31 December 2018 and 2017, there were no outstanding options in respect of unissued shares of PSPL.

36 SEGMENT INFORMATION

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

1. The Property Rental & Hospitality segment is in the business of providing hospitality and asset management services.

2. The Property Development segment involves in the development, marketing and sales of residential, commercial, industrial, mixed-use and build-to-suit properties.

3. The Distribution segment is in the business of mining, supply and installation of building materials, industrial laundry and automotive parts and equipment.

4. The Engineering segment provides system integration for broadcasting and multimedia, communication and information technology, security and surveillance sectors.

36 SEGMENT INFORMATION *(continued)*

5. The Manufacturing segment is in the business of manufacture of die-cast precision parts and components as well as provision of turnkey manufacturing solutions.

6. Corporate Services & Others segment comprises investment management and corporate activities.

Management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

Allocation basis and transfer pricing
Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise corporate revenue, assets, expenses and liabilities, income tax, deferred tax assets and liabilities, and borrowings.

Segment accounting policies are the same as the policies described in Note 2. The Group generally accounts for inter-segment sales and transfers as if the sales or transfers were to third parties at current market prices. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

Business segments

The following tables present revenue and profit as well as certain asset and liability information regarding business segments at 31 December 2018 and 2017.

	Property Rental & Hospitality $000	Property Develop-ment $000	Distribution $000	Engineering $000	Manu-facturing $000	Corporate Services & Others $000	Elimination $000	Total $000
Year ended 31 December 2018								
Segment revenue								
Sales to external customers	124,358	25,811	47,524	60,604	71,269	45,343	–	374,909
Inter-segment sales	878	–	–	–	–	6,241	(7,119)	–
Total revenue	125,236	25,811	47,524	60,604	71,269	51,584	(7,119)	374,909
Segment results	86,819	(2,835)	5,765	(4,821)	(2,176)	(9,198)	–	73,554
Finance costs								(23,053)
Interest income								4,498
Share of profit/(loss) from equity-accounted associates	2,006	(184)	–	133	–	2,365	–	4,320
Share of loss from equity-accounted joint ventures	(14)	(1,007)	–	–	–	–	–	(1,021)
Profit before tax								58,298
Income tax expense								(5,300)
Profit net of tax								52,998

36 SEGMENT INFORMATION *(continued)*

Business segments *(continued)*

	Property Rental & Hospitality $000	Property Develop-ment $000	Distribution $000	Engineering $000	Manu-facturing $000	Corporate Services & Others $000	Elimination $000	Total $000
Year ended 31 December 2018 *(continued)*								
Segment assets	2,027,147	1,005,477	90,505	55,216	76,433	184,045	–	3,438,823
Interests in associates	82,041	–	–	7,877	–	18,841	–	108,759
Interests in joint ventures	4,678	32,814	–	–	–	7,338	–	44,830
Unallocated assets								29,259
Total assets								3,621,671
Segment liabilities	58,016	70,885	5,908	20,245	20,885	61,176	–	237,115
Unallocated liabilities								1,173,670
Total liabilities								1,410,785
Other operating segment information:								
Capital expenditure	(914)	(103)	(6,527)	(166)	(3,265)	(1,527)	–	(12,502)
Depreciation and amortisation	(2,869)	(308)	(3,544)	(412)	(3,333)	(3,460)	–	(13,926)
Impairment loss on property, plant and equipment	–	–	–	–	(1,014)	–	–	(1,014)
Impairment loss on trade receivables	(45)	–	(246)	(50)	(262)	(326)	–	(929)
Inventories (written-down)/ written-back, net	–	–	136	(144)	(1,768)	–	–	(1,776)
Net surplus on revaluation of investment properties	14,010	–	–	–	–	–	–	14,010
Provision in relation to sale of UE BizHub EAST written-back	10,218	–	–	–	–	–	–	10,218
Year ended 31 December 2017								
Segment revenue								
Sales to external customers	130,867	132,411	76,991	58,115	85,566	41,846	–	525,796
Inter-segment sales	734	–	–	–	–	6,431	(7,165)	–
Total revenue	131,601	132,411	76,991	58,115	85,566	48,277	(7,165)	525,796
Segment results	126,147	(9,133)	4,672	3,252	5,379	(11,197)	–	119,120
Finance costs								(21,162)
Interest income								3,103
Share of profit/(loss) from equity-accounted associates	935	(41)	–	77	–	2,644	–	3,615
Share of loss from equity-accounted joint ventures	(3)	(1,716)	–	–	–	–	–	(1,719)
Profit before tax								102,957
Income tax expense								(19,508)
Profit net of tax								83,449

36 SEGMENT INFORMATION *(continued)*

Business segments *(continued)*

	Property Rental & Hospitality $000	Property Develop-ment $000	Distribution $000	Engineering $000	Manu-facturing $000	Corporate Services & Others $000	Elimination $000	Total $000
Year ended 31 December 2017 *(continued)*								
Segment assets	2,020,715	581,728	101,532	56,938	81,632	314,068	–	3,156,613
Interests in associates	82,337	–	–	3,304	–	29,303	–	114,944
Interests in joint ventures	4,736	35,253	–	–	–	7,949	–	47,938
Unallocated assets								29,263
Total assets								3,348,758
Segment liabilities	93,885	57,036	7,929	14,256	21,773	15,223	–	210,102
Unallocated liabilities								931,086
Total liabilities								1,141,188
Other operating segment information:								
Capital expenditure	(1,427)	(42)	(4,925)	(308)	(3,239)	(1,470)	–	(11,411)
Depreciation and amortisation	(3,034)	(349)	(7,138)	(413)	(3,607)	(3,884)	–	(18,425)
Gain on disposal of a business unit	–	–	1,677	–	–	–	–	1,677
Impairment loss on trade receivables	–	–	(561)	(109)	(277)	(332)	–	(1,279)
Inventories written-back/ (written-down), net	–	–	134	(77)	185	–	–	242
Loss on disposal/liquidation of subsidiaries	(96)	–	–	–	–	–	–	(96)
Net surplus on revaluation of investment properties	44,365	–	–	–	–	–	–	44,365
Properties held for sale written down	–	(9,671)	–	–	–	–	–	(9,671)
Provision in relation to sale of UE BizHub EAST written-back	16,849	–	–	–	–	–	–	16,849
As at 1 January 2017								
Segment assets	1,976,984	778,041	104,097	56,951	77,121	610,130	–	3,603,324
Interests in associates	82,337	5,240	–	3,389	–	21,653	–	112,619
Interests in joint ventures	4,632	32,108	–	–	–	8,738	–	45,478
Unallocated assets								46,162
Total assets								3,807,583
Segment liabilities	111,455	120,802	12,136	14,863	23,704	29,419	–	312,379
Unallocated liabilities								1,298,315
Total liabilities								1,610,694

36 SEGMENT INFORMATION *(continued)*

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		
				31 December	1 January
	2018	2017	2018	2017	2017
	$000	$000	$000	$000	$000
Singapore	191,884	236,289	1,940,549	1,924,956	1,893,272
Malaysia	23,060	37,879	9,588	10,108	9,805
ASEAN (excluding Singapore and Malaysia)*	1,093	1,096	–	–	–
China	68,055	154,823	57,898	60,097	59,558
Asia (excluding ASEAN and China)*	811	1,000	–	–	–
USA	53,380	54,148	15,430	15,772	18,513
Others	36,626	40,561	45,660	45,971	45,883
	374,909	525,796	2,069,125	2,056,904	2,027,031

* This includes countries which individually contribute less than 5% of revenue/ non-current assets to the Group.

Non-current assets information presented above consist of property, plant and equipment, investment properties and intangible assets as presented in the statement of financial position.

37 AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the financial year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 18 March 2019.

SHAREHOLDING STATISTICS

AS AT 6 MARCH 2019

TOTAL NUMBER OF CLASS OF SHARES:

7.5 cents Cumulative Preference Shares - 875,000

VOTING RIGHTS: One vote for one preference share.

DISTRIBUTION OF SHAREHOLDINGS:

Size of Shareholdings	No. of Preference Shareholders	%	No. of Preference Shares	%
1 – 99	2	11.11	62	0.01
100 – 1,000	10	55.56	6,005	0.69
1,001 – 10,000	4	22.22	13,940	1.59
10,001 – 1,000,000	2	11.11	854,993	97.71
1,000,001 and above	-	-	-	-
Total	**18**	**100.00**	**875,000**	**100.00**

TEN LARGEST PREFERENCE SHAREHOLDERS:

	Name of Preference Shareholders	No. of Preference Shares held	%[1]
1.	United Overseas Bank Nominees Pte Ltd	770,543	88.06
2.	Yanlord Perennial Investment (Singapore) Pte. Ltd.	84,450	9.65
3.	Aamir Hatim Nakhoda	4,820	0.55
4.	Moeez Hatim Nakhoda	4,820	0.55
5.	John Frederick Hobday, Deceased	2,300	0.26
6.	Tan Seng Kwee	2,000	0.23
7.	George May Clark, Deceased	1,000	0.11
8.	Seah Kok Hwa	1,000	0.11
9.	Tan Yong Soo (Chen Yongsu)	1,000	0.11
10.	Estate of Tan Jin Chwee, Deceased	890	0.10
	Total	**872,823**	**99.73**

Note:

[1] The percentage shareholding is based on the issued share capital of 875,000 preference shares in the capital of the Company in issue as at 6 March 2019.

STOCKHOLDING STATISTICS

AS AT 6 MARCH 2019

TOTAL NUMBER OF CLASS OF SHARES:

Ordinary Shares each converted into Stock Units - 637,520,399

VOTING RIGHTS: One vote for one ordinary stock unit.

DISTRIBUTION OF STOCKHOLDINGS:

Size of Stockholdings	No. of Ordinary Stockholders	%	No. of Ordinary Stock Units	%
1 – 99	159	2.60	3,957	0.00
100 – 1,000	637	10.40	450,699	0.07
1,001 – 10,000	3,553	58.00	17,457,579	2.74
10,001 – 1,000,000	1,748	28.53	91,459,242	14.35
1,000,001 and above	29	0.47	528,148,922	82.84
Total	**6,126**	**100.00**	**637,520,399**	**100.00**

TWENTY LARGEST ORDINARY STOCKHOLDERS:

	Name of Ordinary Stockholders	No. of Ordinary Stock Units held	%[1]
1.	United Overseas Bank Nominees Pte Ltd	227,773,133	36.99
2.	Maybank Nominees (Singapore) Pte Ltd	76,288,000	12.39
3.	Citibank Nominees Singapore Pte Ltd	45,570,786	7.40
4.	Maybank Kim Eng Securities Pte. Ltd.	29,172,871	4.74
5.	DBS Nominees Pte Ltd	24,928,785	4.05
6.	WBL Corporation Limited	n.m.[2]	n.m.[2]
7.	Morph Investments Ltd	14,915,000	2.42
8.	Raffles Nominees (Pte) Ltd	11,477,598	1.86
9.	RHB Bank Nominees Pte Ltd	11,001,333	1.79
10.	DB Nominees (Singapore) Pte Ltd	8,006,830	1.30
11.	CGS-CIMB Securities (Singapore) Pte Ltd	6,848,518	1.11
12.	BPSS Nominees Singapore (Pte.) Ltd.	6,493,000	1.05
13.	DBSN Services Pte Ltd	6,133,203	1.00
14.	Chen Chun Nan	4,830,000	0.78
15.	Waterworth Pte Ltd	4,000,000	0.65
16.	OCBC Securities Private Ltd	3,983,074	0.65
17.	Heng Siew Eng	3,581,200	0.58
18.	UOB Kay Hian Pte Ltd	3,158,701	0.51
19.	Royal Institute of Construction Economists Pte. Ltd.	2,195,200	0.36
20.	HSBC (Singapore) Nominees Pte Ltd	2,123,409	0.34
	Total	**492,480,641**	**79.97**

Notes:

(1) The percentage stockholding is based on the issued share capital of 615,808,399 ordinary stock units ("**Stock Units**") in the capital of the Company in issue (excluding 21,712,000 stock units held by WBL Corporation Limited, a subsidiary of the Company) as at 6 March 2019.

(2) Not meaningful. As WBL Corporation Limited is a subsidiary of the Company, the 21,712,000 Stock Units in the capital of the Company held by WBL Corporation Limited are subsidiary holdings of the Company.

OTHER INFORMATION REQUIRED UNDER THE SGX-ST LISTING MANUAL

PUBLIC FLOAT

Disclosure pursuant to Rule 1207(9)(e) of the SGX-ST Listing Manual

As at 6 March 2019, approximately 40.51% of the total number of issued shares of the Company (excluding subsidiary holdings and treasury shares) was held by the public and accordingly, Rule 723 of the SGX-ST Listing Manual has been complied with. As at that date, there were no treasury shares, except for 21,712,000 ordinary stock units held by WBL Corporation Limited, a subsidiary of the Company.

MATERIAL CONTRACTS

Disclosure pursuant to Rule 1207(8) of the SGX-ST Listing Manual

There were no material contracts entered into by the Company or any of its subsidiaries involving the interests of any Director or controlling shareholder of the Company during the financial year under review.

INFORMATION ON SUBSTANTIAL SHAREHOLDERS

AS AT 6 MARCH 2019

Name of Substantial Shareholders	Ordinary Stock Units				Preference Shares			
	Direct Interest		Deemed Interest		Direct Interest		Deemed Interest	
	No. of Stock Units	% [1]	No. of Stock Units	% [1]	No. of Preference Shares	% [2]	No. of Preference Shares	% [2]
Yanlord Perennial Investment (Singapore) Pte. Ltd.	224,872,206	36.52	-	-	854,993	97.71	-	-
Yanlord Commercial Property Investments Pte. Ltd.[3]	-	-	224,872,206	36.52	-	-	854,993	97.71
Yanlord Land Group Limited[4]	-	-	224,872,206	36.52	-	-	854,993	97.71
Yanlord Holdings Pte. Ltd.[5]	-	-	224,872,206	36.52	-	-	854,993	97.71
Zhong Sheng Jian[6]	-	-	224,872,206	36.52	-	-	854,993	97.71
Perennial UW Pte. Ltd.[7]	-	-	224,872,206	36.52	-	-	854,993	97.71
Perennial Singapore Investment Holdings Pte. Ltd.[8]	-	-	224,872,206	36.52	-	-	854,993	97.71
Perennial Real Estate Holdings Limited [9]	-	-	224,872,206	36.52	-	-	854,993	97.71
Oxley Holdings Limited	120,604,300	19.58	-	-	-	-	-	-
Ching Chiat Kwong[10]	13,293,500	2.16	120,604,300	19.58	-	-	-	-
Low See Ching (Liu Shijin)[11]	7,420,600	1.21	120,604,300	19.58	-	-	-	-

Notes:

[1] The percentage stockholding is based on the issued share capital of 615,808,399 ordinary stock units ("**Stock Units**") in the capital of the Company in issue (excluding 21,712,000 Stock Units held by WBL Corporation Limited, a subsidiary of the Company) as at 6 March 2019.

[2] The percentage shareholding is based on the issued share capital of 875,000 preference shares ("**Preference Shares**") in the capital of the Company in issue as at 6 March 2019.

[3] Yanlord Commercial Property Investments Pte. Ltd. ("**YCPI**") has a controlling interest in Yanlord Perennial Investment (Singapore) Pte. Ltd. ("**YPIS**") and pursuant to Section 4 of the Securities Futures Act ("**SFA**"), is deemed interested in the Stock Units and Preference Shares held by YPIS.

[4] Yanlord Land Group Limited ("**YLGL**") is the holding company of YCPI, which has a controlling interest in YPIS. Therefore, pursuant to Section 4 of the SFA, YLGL is deemed interested in the Stock Units and Preference Shares held by YPIS.

[5] Yanlord Holdings Pte. Ltd. ("**YHPL**") has a controlling interest in YLGL, which is the holding company of YCPI, which in turn has a controlling interest in YPIS. Therefore, pursuant to Section 4 of the SFA, YHPL is deemed interested in the Stock Units and Preference Shares held by YPIS.

[6] Mr Zhong Sheng Jian effectively holds all the shares in YHPL, which in turn has a controlling interest in YLGL. YLGL is the holding company of YCPI, which has a controlling interest in YPIS. Therefore, pursuant to Section 4 of the SFA, Mr Zhong is deemed interested in the Stock Units and Preference Shares held by YPIS.

[7] Perennial UW Pte. Ltd. ("**PUPL**") has a controlling interest in YPIS and pursuant to Section 4 of the SFA, is deemed interested in the Stock Units and Preference Shares held by YPIS.

[8] Perennial Singapore Investment Holdings Pte. Ltd. ("**PSIH**") has a controlling interest in PUPL, which in turn has a controlling interest in YPIS. Therefore, pursuant to Section 4 of the SFA, PSIH is deemed interested in the Stock Units and Preference Shares held by YPIS.

[9] Perennial Real Estate Holdings Limited ("**PREH**") is the holding company of PSIH. PSIH has a controlling interest in PUPL, which in turn has a controlling interest in YPIS. Therefore, pursuant to Section 4 of the SFA, PREH is deemed interested in the Stock Units and Preference Shares held by YPIS.

[10] Mr Ching Chiat Kwong has a controlling interest in Oxley Holdings Limited ("**OHL**") and pursuant to Section 4 of the SFA, is deemed interested in the Stock Units held by OHL.

[11] Mr Low See Ching (Liu Shijin) has a controlling interest in OHL and pursuant to Section 4 of the SFA, is deemed interested in the Stock Units held by OHL.

MAJOR PROPERTIES

31 DECEMBER 2018

INVESTMENT PROPERTIES

Description and Location	Existing use	Tenure	Unexpired lease term
UE BizHub CITY Clemenceau Avenue, Singapore	Commercial, retail and hospitality	Leasehold	863 years
Mixed-use development at one-north Buona Vista Road/ North Buona Vista Road, Singapore	Retail and hospitality	Leasehold	85 years
UE BizHub TOWER Anson Road, Singapore	Commercial	Freehold	N.A
UE BizHub WEST Alexandra Road, Singapore	Industrial and Commercial	Freehold	N.A

PROPERTIES UNDER DEVELOPMENT

Description and Location	Group's effective interest (%)	Land area[1] (sqft)	Gross floor area[1] (sqft)	Stage of completion as at date of annual report (expected year of completion)
Chengdu Orchard Villa Semi-detached villas and terrace houses Chengdu, China	69.1%	3,437,605	3,138,287	Phase 5: 85% (2019)
Shenyang Orchard Summer Palace City complex comprising a shopping mall, Grade A offices, serviced apartments and residential apartments Shenyang, China	69.1%	360,784	2,674,197	Residential apartments: 19% (2022)
Land parcel at Dairy Farm Road for residential with commercial at 1st storey development Singapore	100.0%	211,486	444,129	– [2] (2023)

(1) In respect of the whole development.
(2) Construction yet to commence.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the One Hundred and Fifth Annual General Meeting of United Engineers Limited (the "**Company**") will be held at UE Convention Centre, 4 Changi Business Park Avenue 1, Singapore 486016 on Tuesday, 30 April 2019 at 2.30 p.m. to transact the following business:

ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and Audited Financial Statements for the year ended 31 December 2018 and the Auditor's Report.

2. To declare a first and final dividend of 7.5 cents (one-tier tax exempt) per cumulative preference share for the year ended 31 December 2018, as recommended by the Directors.

3. To declare a first and final dividend of 3 cents (one-tier tax exempt) per ordinary stock unit for the year ended 31 December 2018, as recommended by the Directors.

4. To re-elect Mr Teo Ser Luck, a Director retiring by rotation pursuant to Article 99 of the Constitution of the Company and who, being eligible, offers himself for re-election.

5. To re-elect Mr Tan Chee Keong Roy, a Director retiring pursuant to Article 99 of the Constitution of the Company and who, being eligible, offers himself for re-election.

6. To approve Directors' Fees of $365,000 for the year ended 31 December 2018. (2017: S$755,587)

7. To re-appoint Ernst & Young LLP as Auditor and to authorise the Directors to fix their remuneration.

SPECIAL BUSINESS

To consider and, if thought fit, to pass, with or without any modifications, the following resolutions, of which Resolutions 8 and 9 will be proposed as Ordinary Resolutions and Resolution 10 will be proposed as a Special Resolution:

8. **Authority to allot and issue shares in the capital of the Company ("Shares") - Share Issue Mandate**

   "That, pursuant to Section 161 of the Companies Act, Chapter 50 (the "**Act**") and Rule 806 of the Listing Manual (the "**Listing Manual**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), authority be and is hereby given to the Directors of the Company to:

   (A) (i) allot and issue shares in the capital of the Company (the "**Shares**") (whether by way of rights, bonus or otherwise); and/or

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

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

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

   Provided that:

   (1) the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) and convertible securities to be issued pursuant to this Resolution shall not exceed fifty per cent. (50%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares and convertible securities to be issued other than on a pro-rata basis to the shareholders of the Company shall not exceed twenty per cent. (20%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as at the time of passing of this Resolution);

(2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares and convertible securities that may be issued under sub-paragraph (1) above on a pro-rata basis, the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new Shares arising from the conversion or exercise of convertible securities;

(b) new Shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with the rules of the Listing Manual of the SGX-ST; and

(c) any subsequent bonus issue, consolidation or subdivision of Shares.

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST as amended from time to time (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting is required by law to be held, whichever is the earlier."

9. **Proposed renewal of the Share Buyback Mandate**

"That:

(1) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 of Singapore, (the "**Act**"), the exercise by the Directors of the Company of all the powers of the Company to purchase or acquire ordinary stock units in the capital of the Company ("**Shares**") not exceeding in aggregate the Maximum Percentage (as defined below), at such price or prices as may be determined by the Directors of the Company from time to time up to the Maximum Price (as defined below), whether by way of:

(a) on-market purchases on the Singapore Exchange Securities Trading Limited ("**SGX-ST**") ("**Market Purchase**"); and/or

(b) off-market purchases (if effected otherwise than on the SGX-ST) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors of the Company as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Act ("**Off-Market Purchase**"),

and otherwise in accordance with all other laws, regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Buyback Mandate**");

(2) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buyback Mandate may be exercised by the Directors of the Company at any time and from time to time during the period commencing from the date of the passing of this Ordinary Resolution and expiring on the earliest of:

(a) the date on which the next annual general meeting of the Company is held;

(b) the date by which the next annual general meeting of the Company is required by law to be held;

(c) the date when such mandate is revoked or varied by the shareholders of the Company in general meeting; or

(d) the date on which the share buy-back is carried out to the full extent mandated,

whichever is earliest;

(3) in this Ordinary Resolution:

"**Maximum Percentage**" means that number of issued Shares representing 10% of the total number of issued Shares as at the date of the passing of this Ordinary Resolution (excluding any Shares which are held as treasury shares and subsidiary holdings as at that date); and

(a) in the case of a Market Purchase, 105% of the Average Closing Price (as defined below) of the Shares; and

(b) in the case of an Off-Market Purchase pursuant to an equal access scheme, 110% of the Average Closing Price of the Shares,

(the "**Maximum Price**") in each case, excluding related expenses of the purchase or acquisition.

For the above purposes:

"**Average Closing Price**" means the average of the closing market prices of a Share over the last five (5) market days on which transactions in the Shares were recorded, before the day on which Shares are transacted on the SGX-ST or, as the case may be, such securities exchange on which the Shares are listed or quoted, immediately preceding the date of the Market Purchase or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted, in accordance with the rules of the SGX-ST, for any corporate action that occurs after the relevant five day period; and

"**date of the making of the offer**" means the date on which the Company makes an offer for the purchase or acquisition of Shares from shareholders, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

(4) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they and/or he may consider expedient or necessary or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution."

10. **Proposed adoption of the New Constitution of the Company**

"That:

(1) the regulations contained in the new Constitution of the Company as set out in Annex A to the letter to members of the Company dated 5 April 2019 be and are hereby approved and adopted as the Constitution of the Company in substitution for, and to the exclusion of, the existing Constitution of the Company; and

(2) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they and/or he may consider expedient or necessary or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this Special Resolution."

By Order of the Board

Gn Jong Yuh Gwendolyn
Company Secretary

Singapore
5 April 2019

Notes:

1) (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.

2) A proxy need not be a member of the Company.

3) If the appointer is a corporation, the instrument appointing a proxy or proxies must be under seal or the hand of its duly authorised officer or attorney.

4) The instrument appointing a proxy or proxies must be deposited at the office of the Company's Share Registrar, Tricor Barbinder Share Registration Services, 80 Robinson Road #11-02, Singapore 068898 not less than 48 hours before the time set for the Annual General Meeting or any adjournment thereof.

Additional Information on items of Ordinary and Special Business:

Item no. 4 is to re-elect Mr Teo Ser Luck, who will be retiring under Article 99 of the Constitution of the Company. Mr Teo is the Chairman of the Nominating Committee and a member of the Audit & Risk Committee and the Remuneration Committee. Mr Teo is considered an Independent Director for the purpose of Rule 704(8) of the Listing Manual. There are no material relationships (including family relationships) between Mr Teo and the other Directors or the Company or its 10% shareholders (as defined in the Code of Corporate Governance 2012). For further information on Mr Teo, please refer to the "Board of Directors" section on page 12 and "Additional Information on Directors Seeking Re-election" on pages 157 to 162 of this Annual Report.

Item no. 5 is to re-elect Mr Tan Chee Keong Roy, who will be retiring under Article 99 of the Constitution of the Company. Mr Tan is the Group Managing Director and a Non-Independent Director. For further information on Mr Tan, please refer to the "Board of Directors" section on page 14 and "Additional Information on Directors Seeking Re-election" on pages 157 to 163 of this Annual Report.

Item no. 6 is to facilitate the payment of Directors' Fees of $365,000 for the year ended 31 December 2018.

Item no. 8 is to empower the Directors of the Company to issue Shares, make or grant instruments convertible into Shares and to issue Shares pursuant to such instruments, up to a number not exceeding, in total, 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of Shares that may be issued on a pro-rata basis, the total number of issued Shares (excluding treasury shares and subsidiary holdings) will be calculated based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of Shares. In determining the aforementioned limits above, the total number of issued Shares (excluding treasury shares and subsidiary holdings) will be calculated based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the date the Ordinary Resolution 8 is passed.

Item no. 9 is to empower the Directors of the Company to purchase, on behalf of the Company, Shares in accordance with the terms set out in the letter to members of the Company dated 5 April 2019 (the "**Letter to Members**") as well as the rules and regulations set forth in the Companies Act and the Listing Rules of the SGX-ST. Please refer to the Letter to Members for more information relating to the renewal of the Share Buyback Mandate which was originally approved by the members on 26 April 2018.

Item no. 10 relates to the proposed adoption of the new Constitution of the Company. Please refer to the Letter to Members for details.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

NOTICE OF BOOKS CLOSURE

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed from 8 May 2019 to 9 May 2019 (both dates inclusive) for the purposes of ascertaining dividend entitlements. Duly completed transfers received by the Company's Share Registrar, Tricor Barbinder Share Registration Services, 80 Robinson Road #11-02, Singapore 068898, up to 5.00 p.m. on 7 May 2019 will be registered to determine such dividend entitlements.

Members (being depositors) whose securities accounts with The Central Depository (Pte) Limited are credited with ordinary stock units or (as the case may be) preference shares as at 5.00 p.m. on 7 May 2019 will rank for the relevant proposed dividends.

The proposed dividends, if approved by members at the One Hundred and Fifth Annual General Meeting, will be paid on 27 May 2019.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

The following additional information on Mr Teo Ser Luck and Mr Tan Chee Keong Roy, all of whom are seeking re-election as Directors at the 105th Annual General Meeting of United Engineers Limited ("UEL").

	MR TEO SER LUCK *Lead Independent and Non-Executive Director*	**MR TAN CHEE KEONG ROY** *Group Managing Director and Non-Independent and Executive Director*
Professional qualifications	*B.Acc.*, Nanyang Technological University, Singapore	*M.Soc.Sci., M.Sc.*, National University of Singapore; *B.A.,* University of Oxford, UK; FRM; CFA
Date of Appointment	19/09/2017	19/10/2017
Date of last re-appointment	26/04/2018	26/04/2018
Age	50	47
Country of principal residence	Singapore	Singapore
The Board's comments on the appointment	The Board has considered the recommendation of the Nominating Committee and is of the view that Mr Teo has the requisite qualifications, capabilities and experience to assume the role of Lead Independent and Non-Executive Director of UEL.	The Board has considered the recommendation of the Nominating Committee and is of the view that Mr Tan has the requisite qualifications, capabilities and experience to assume the duties and responsibilities as Group Managing Director and Non-Independent and Executive Director of UEL.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Executive. Mr Tan is responsible for the overall operational and financial management of the Group.
Working experience and occupation(s) during the past 10 years	**2008 – 2018** *(For the past 10 years)* • Parliamentary Secretary, Ministry of Community Development, Youth and Sports (till 2008) • Senior Parliamentary Secretary, Ministry of Transport (till 2011) • Senior Parliamentary Secretary, Ministry of Community, Youth & Sports (till 2011) • Minister of State, Ministry of Trade & Industry (till 2015) • Mayor, North East District (till 2017) • Minister of State, Ministry of Manpower (till 2017) **Others:** • Chairman of Singapore-Shandong Bilateral Business Council • Vice-Chairman of Singapore-Jiangsu Bilateral Business Council	**2008 -2018** *(For the past 10 years)* WBL Corporation Limited • Manager, Group Corporate Development (till 2009) • General Manager, Group Corporate Development (till 2011) • Group General Manager, Group Corporate Development (till 2012) • Group Chief Strategy Officer (till 2014) United Engineers Limited • Group Chief Strategy Officer (till 2015) • Group Chief Financial Officer (till 2017) **Others:** **Listed Companies:** Director of • MFS Technology Ltd (Dissolved by way of members' voluntary winding up) (till 2017) • Multi-Fineline Electronix, Inc. (Delisted) (till 2016)

	MR TEO SER LUCK *Lead Independent and Non-Executive Director*	**MR TAN CHEE KEONG ROY** *Group Managing Director and Non-Independent and Executive Director*
	Current: **Listed Companies:** Director of • BRC Asia Limited • Serial System Ltd • United Engineers Limited **Others:** • Member of Parliament for Pasir Ris-Punggol GRC • Adviser to the Institute of Singapore Chartered Accountants • Adviser to Singapore FinTech Association	**Current:** **Listed Company:** • Group Managing Director of United Engineers Limited
Shareholding interest in UEL and its subsidiaries	No	No
Any relationship (including immediate family relationships) with any existing director, existing executive officer, UEL and/or substantial shareholder of UEL or of any of its principal subsidiaries	No	No
Conflict of interest (including any competing business)	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to UEL	Yes	Yes

Other Principal Commitments * Including Directorships		
*** "Principal Commitments" has the same meaning as defined in the Corporate Governance Code 2012.**		
Past (for the last 5 years)	Please see page 162 of this Annual Report	Please see page 162 of this Annual Report
Present	Please see page 162 of this Annual Report	Please see page 163 of this Annual Report

(a)	Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No

		MR TEO SER LUCK *Lead Independent and Non-Executive Director*	**MR TAN CHEE KEONG ROY** *Group Managing Director and Non-Independent and Executive Director*
(b)	Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c)	Whether there is any unsatisfied judgment against him?	No	No
(d)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
(e)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No

		MR TEO SER LUCK *Lead Independent and Non-Executive Director*	**MR TAN CHEE KEONG ROY** *Group Managing Director and Non-Independent and Executive Director*
(f)	Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g)	Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h)	Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i)	Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
(j)	Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:-		
	(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No

		MR TEO SER LUCK *Lead Independent and Non-Executive Director*	**MR TAN CHEE KEONG ROY** *Group Managing Director and Non-Independent and Executive Director*
	(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No
	(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No
	(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,	No	No
	in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?		
(k)	Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No

Other Principal Commitments Including Directorships

MR TEO SER LUCK
Lead Independent and Non-Executive Director

Past (for the last five years)
- Minister of State, Ministry of Manpower
- Mayor of North East District
- Minister of State, Ministry of Trade and Industry

Present
- Member of Parliament for Pasir Ris-Punggol GRC

Director of
- BRC Asia Limited
- Serial System Ltd
- United Engineers Limited
- F4U Pte. Ltd.
- Nufin Data Pte. Ltd.
- Nufund Pte. Ltd.
- Helicap Pte. Ltd.
- Vicduo Tech Pte. Ltd.

Adviser of
- Institute of Singapore Chartered Accountants
- Singapore FinTech Association

MR TAN CHEE KEONG ROY
Group Managing Director and Non-Independent and Executive Director

Past (for the last five years)
Director of
- Associated Motor Industries (Private) Limited
- BEWGI-H2O Pte. Ltd.
- BEWGI-UE NEWater (S) Pte. Ltd.
- Chengdu Huaxin Ruitai Property Management Co., Ltd
- Chongqing Huaxin International Urban Development Co., Ltd
- Hengyang City UE Songmu Water Co., Ltd.
- Huaxin Community Broadband Service Co., Ltd.
- Jiaozuo UE Environmental Protection Technology Co., Ltd.
- Liaocheng UE Environmental Protection Technology Co., Ltd.
- Lysaght (Malaysia) Sdn. Bhd.
- Lysaght Corrugated Pipe Sdn Bhd
- McAlister Trading (Malaysia) Sdn. Bhd.
- MFS Technology Ltd (Dissolved by way of members' voluntary winding up)
- Multi-Fineline Electronix, Inc. (Delisted)
- RFNet Technologies Pte Ltd
- Shaoyang UE Environmental Protection Technology Co., Ltd.
- Suzhou Industrial Park Jian Wu Heng Ye Property Development Co., Ltd
- Suzhou Speedling Co., Ltd.
- UE (Liaocheng) Water Co., Ltd.
- UE Asia Pacific (Beijing) Co., Ltd.
- UE Envirotech (Beijing) Co., Ltd.
- UE Envirotech (Chenzhou) Co., Ltd.
- UE Envirotech (Ji'an) Co., Ltd.
- UE Envirotech (Weifang) Co., Ltd.
- UE Envirotech (Xinxiang) Co., Ltd.
- UE Envirotech Pte. Ltd.
- UE Managed Solutions Pte Ltd
- UE NEWater (Vietnam) Limited
- UE NEWater Pte. Ltd.
- UES Holdings Pte. Ltd.
- UESH-BEWGI Eng. Pte. Ltd.
- Wearnes Automotive Changchun Co., Ltd
- Wearnes Automotive Jilin Co., Ltd

Other Principal Commitments Including Directorships (continued)

MR TAN CHEE KEONG ROY
Group Managing Director and Non-Independent and Executive Director

Present
Director of

- Apex Pharmacy Holdings Sendirian Berhad
- BlueScope Buildings (Malaysia) Sdn. Bhd.
- Chengdu Huaxin International Realty Co., Ltd.
- Chengdu WBL UEST New Tech Co., Ltd
- Chongqing Huaxin International Realty Co., Ltd.
- Chrontel, Inc.
- Global Investment Holdings Co., Ltd
- Greatearth Developments Pte Ltd
- Kumpulan O'Connor's (Malaysia) Sdn. Bhd.
- Lycorpipe Investment Pte. Ltd.
- MaxLee Development Pte. Ltd.
- NS Bluescope Lysaght Malaysia Sdn Bhd
- O'Connor's (Thailand) Co., Ltd
- O'Connor's Engineering Sdn. Bhd.
- O'Connor's Holdings Pte Ltd
- O'Connor's Singapore Pte Ltd
- Pacific Silica Pty Ltd
- Peninsular Smart Sdn. Bhd.
- Permata Alasan (M) Sdn Bhd
- Shanghai WBL Enterprise Management Co., Ltd.
- Shenyang Huaxin International Realty Co., Ltd.
- Shenyang Summer Palace Property Development Co., Ltd.
- Shenyang Summer Palace Pte. Ltd.
- Speedling Investment Pte Ltd
- Speedling, Incorporated
- Suzhou Future Agriworld Co., Ltd.
- Suzhou Huaxin International Real Estate Co., Ltd
- Suzhou Wearnes Technology Co., Ltd.
- The Seletar Mall Pte. Ltd.
- UE Centennial Venture Pte. Ltd.
- UE Dairy Farm Pte. Ltd.
- UE Development (Alexandra) Pte. Ltd.
- UE Development (Anson) Pte. Ltd.
- UE Development (Bendemeer) Pte. Ltd.
- UE One-North Developments Pte. Ltd.
- UE Park Avenue International Pte. Ltd.
- UE Support Services Pte Ltd
- UE Trade Corporation (India) Private Limited
- UE UMC Pte. Ltd.
- UE Ville Developments Pte Ltd
- UED Developments (M) Sdn. Bhd.
- United Engineers Developments Pte. Ltd.
- United Engineers Limited
- United WBL Technology Pte. Ltd.
- WBL (Hong Kong) Limited
- WBL (USA) Inc.
- WBL Corporation Limited
- WBL Engineering & Distribution Pte. Ltd.
- WBL Hollingsworth Singapore Pte. Ltd.
- WBL International (1994) Limited
- WBL Precision (Private) Limited
- WBL Properties (China) (Private) Limited
- WBL Properties (Private) Limited
- WBL Services (Private) Limited
- WBL Technology (Private) Limited
- WBL Technology (Shenyang) Ltd.
- WCSY Ltd
- Wearnes Electronics Shenyang Ltd.
- Wearnes Global Co., Ltd
- WPSY Ltd.

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United Engineers Limited

(Company Registration No. 191200018G)
(Incorporated in Singapore)

PROXY FORM

IMPORTANT

1. Relevant intermediaries (as defined in Section 181 of the Companies Act, Chapter 50 of Singapore) may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. For CPF/SRS investors who have used their CPF/SRS monies to buy United Engineers Limited stock units and/or preference shares, this Proxy Form is not valid for use by CPF/SRS investors and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks/SRS Operators if they have any queries regarding their appointment as proxies.

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 5 April 2019.

I/We, (Name) ....., NRIC/Passport No./Co. Regn No.: .....

of (Address) .....

being a member/members of UNITED ENGINEERS LIMITED (the "**Company**") hereby appoint:

NAME	ADDRESS	NRIC/PASSPORT NO.	PROPORTION OF SHAREHOLDINGS (%)

and/or (delete as appropriate)

as my/our proxy/proxies to attend, speak and vote for me/us on my/our behalf at the One Hundred and Fifth Annual General Meeting (the "**Meeting**") of the Company, to be held at UE Convention Centre, 4 Changi Business Park Avenue 1, Singapore 486016 on Tuesday, 30 April 2019 at 2.30 p.m., and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the Meeting.

NO.	RESOLUTIONS	FOR*	AGAINST*
	ORDINARY RESOLUTIONS		
1.	Adoption of Directors' Statement, Audited Financial Statements and Auditor's Report		
2.	Declaration of Dividend on Preference Shares		
3.	Declaration of Dividend on Ordinary Stock Units		
4.	Re-election of Mr Teo Ser Luck		
5.	Re-election of Mr Tan Chee Keong Roy		
6.	Approval of Directors' Fees		
7.	Re-appointment of Ernst & Young LLP as Auditor		
8.	Adoption of Share Issue Mandate		
9.	Proposed Renewal of the Share Buyback Mandate		
	SPECIAL RESOLUTION		
10.	Proposed Adoption of the New Constitution		

* Voting will be conducted by poll. If you wish to exercise all your votes "For" or "Against", please tick (√) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this .....day of ..... 2019.

Number of Stock Units held	
Number of Preference Shares held	

.....
Signature(s) of Member(s) / Common Seal

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:

1. Please insert the total number of Stock Units/Preference Shares held by you. If you have Stock Units/Preference Shares entered against your name in the Depository Register (maintained by The Central Depository (Pte) Limited), you should insert that number of Stock Units/Preference Shares. If you have Stock Units/Preference Shares registered in your name in the Register of Members (maintained by or on behalf of the Company), you should insert that number of Stock Units/Preference Shares. If you have Stock Units/Preference Shares entered against your name in the Depository Register and Stock Units/Preference Shares registered in your name in the Register of Members, you should insert the aggregate number of Stock Units/Preference Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Stock Units/Preference Shares held by you.

2. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.

3. A proxy need not be a member of the Company.

4. Completion and return of this instrument appointing a proxy or proxies shall not preclude a member from attending, speaking and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy, to the Meeting.

5. The instrument appointing a proxy or proxies must be deposited at the office of the Company's Share Registrar, Tricor Barbinder Share Registration Services, 80 Robinson Road #11-02, Singapore 068898 not less than 48 hours before the time appointed for the Meeting.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

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

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies (including any related attachment). In addition, in the case of Stock Units/Preference Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Stock Units/Preference Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

UNITED ENGINEERS LIMITED
Company Registration No. 191200018G

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