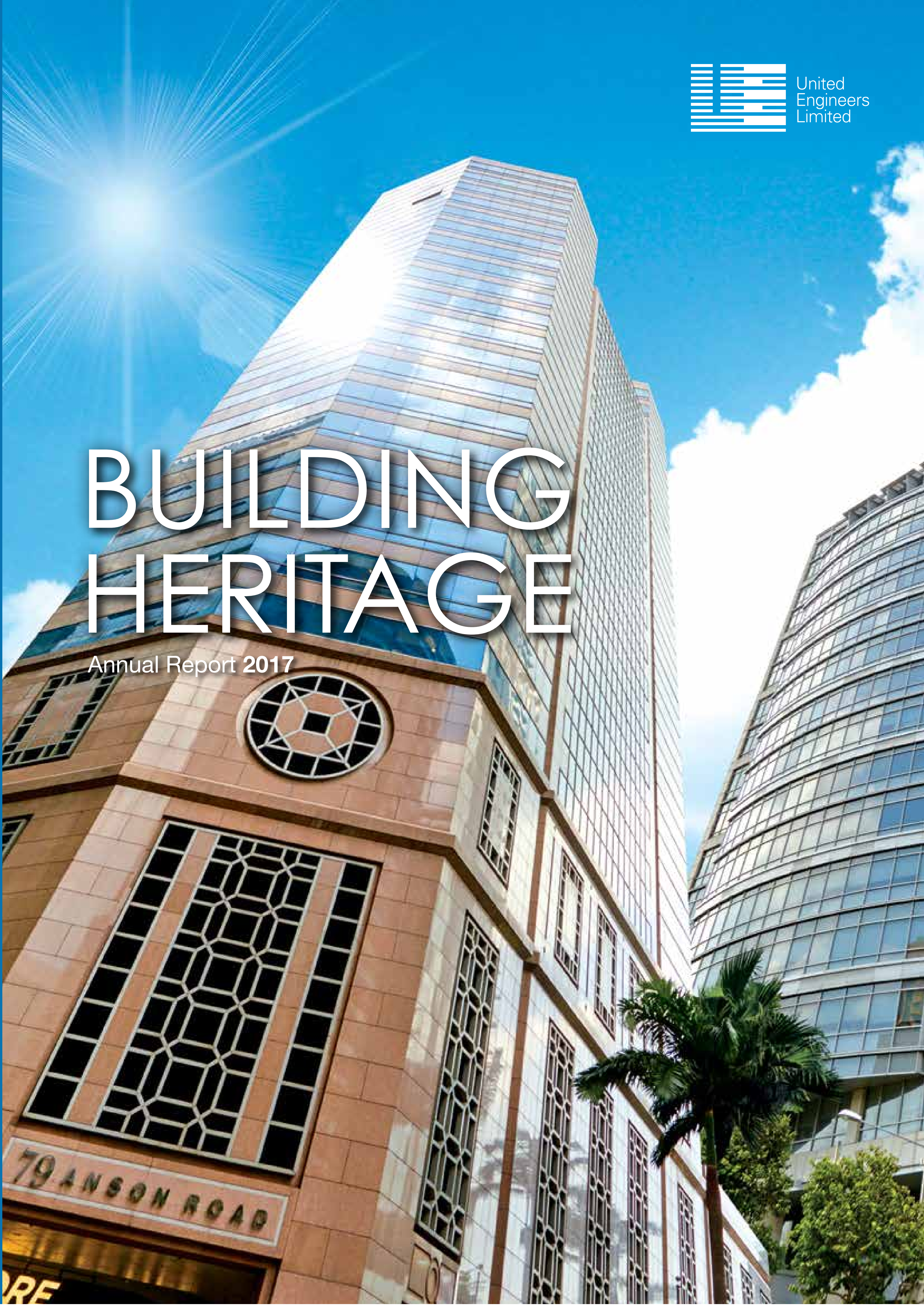
United Engineers Limited

BUILDING HERITAGE

Annual Report **2017**



CREATING

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FUTURE

A SYNERGY OF STRENGTHS

The Beginning of a New Chapter...

CORPORATE PROFILE 企业简介

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 *Changi Link* shopping mall and 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（“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、工程与销售以及制造业。

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 BizHub EAST*，以及位于纬壹科技城（one-north），由私人住宅 *The Rochester*，购物中心 *Rochester Mall* 和酒店 *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 *Rochester Mall*、*The Seletar Mall* 和 *UE Square Shopping Mall*，还管理 *Changi Link* 购物中心和 *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11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。

VISION 愿景

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

MISSION 使命

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

BUSINESS MODEL

PROPERTY

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

ENGINEERING AND DISTRIBUTION

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

MANUFACTURING

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

CORPORATE HIGHLIGHTS

FEBRUARY

27 FY 2016 Results

APRIL

25 103rd Annual General Meeting

MAY

4 *Park Avenue* won the Best Business Innovation Award at Singapore Tourism Awards 2017

12 Q1 2017 Results

JULY

13 Yanlord Perennial Investment (Singapore) Pte. Ltd. ("YPIS") became a major shareholder following the acquisition of c.33.4% of the total number of ordinary stock units and c.70.2% of the total number of preference shares of UEL

Announced mandatory conditional cash offer to acquire all issued ordinary stock units and mandatory unconditional cash offer to acquire all preference shares of UEL by YPIS (the "Mandatory Offers")

AUGUST

11 Q2 2017 Results

SEPTEMBER

19 Close of the Mandatory Offers

Announced re-constitution of the Board of Directors and the Board Committees

Mr Zhong Sheng Jian appointed as Executive Chairman

OCTOBER

9 Ms Gn Jong Yuh Gwendolyn appointed as Joint Group Company Secretary

19 Mr Roy Tan appointed as Group Managing Director

24 *Park Avenue* conferred Hotel Security Award 2017 at the Hotel Security Awards

NOVEMBER

13 Q3 2017 Results

20 *Park Avenue* won two Outstanding Star Awards, two Star Awards, nine Gold Awards and 24 Silver Awards at the Excellent Service Award

24 *Park Avenue* won Singapore Productivity Award at the Singapore Productivity Awards 2017

DECEMBER

14 Announced pre-conditional voluntary unconditional cash offer to acquire all issued ordinary stock units of WBL Corporation Limited ("WBL")

CORPORATE INFORMATION

BOARD OF DIRECTORS
Mr Zhong Sheng Jian
Non-Independent and Executive Director/Executive Chairman
(Appointed on 12 September 2017/ 19 September 2017)

Mr Teo Ser Luck
Lead Independent Director
(Appointed on 19 September 2017)

Mr Lee Suan Hiang
Independent and Non-Executive Director
(Appointed on 19 September 2017)

Mr David Wong Cheong Fook
Independent and Non-Executive Director

Mr Pua Seck Guan
Non-Independent and Non-Executive Director
(Appointed on 12 September 2017)

Mr Tan Chee Keong Roy
Group Managing Director
(Appointed on 19 October 2017)

AUDIT & RISK COMMITTEE
Mr David Wong Cheong Fook
Chairman
(Appointed on 19 September 2017)

Mr Lee Suan Hiang
(Appointed on 19 September 2017)

Mr Teo Ser Luck
(Appointed on 19 September 2017)

NOMINATING COMMITTEE
Mr Teo Ser Luck
Chairman
(Appointed on 19 September 2017)

Mr Zhong Sheng Jian
(Appointed on 19 September 2017)

Mr David Wong Cheong Fook
(Appointed on 19 September 2017)

REMUNERATION COMMITTEE
Mr Lee Suan Hiang
Chairman
(Appointed on 19 September 2017)

Mr Pua Seck Guan
(Appointed on 19 September 2017)

Mr Teo Ser Luck
(Appointed on 19 September 2017)

COMPANY SECRETARY
Ms Gn Jong Yuh Gwendolyn
(Appointed on 9 October 2017)

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12 Ang Mo Kio Street 64
#01-01 UE BizHub CENTRAL
Singapore 569088
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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 Yee Woon Yim
(Appointed since financial year ended 31 December 2013)

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

FINANCIAL CALENDAR

12 May 2017	Announcement of Q1 2017 Results
11 August 2017	Announcement of Q2 2017 Results
13 November 2017	Announcement of Q3 2017 Results
22 February 2018	Announcement of Full Year Results
11 April 2018	Notice of Annual General Meeting
26 April 2018	Annual General Meeting
3 May 2018	Ex-dividend Date
7 May 2018	Last Date for Registration of Transfers
8 to 9 May 2018	Books Closure Dates
25 May 2018	Dividend Payment Date

Mr Zhong Sheng Jian
Executive Chairman

RISING TO A NEW DAWN

LETTER TO SHAREHOLDERS

It is with great pleasure that I present to you United Engineers Limited's ("UEL") annual report for the financial year ended 31 December 2017 (FY 2017).

2017 has been an eventful year characterised by geopolitical tensions and strong economic growth in most Asian countries. Singapore's economy also expanded 3.5% in 2017. Singapore's residential and commercial property markets recovered significantly after several quarters of falling prices and weak rentals. Robust demand for residential properties pushed total private home transactions to 25,010 in 2017, compared to 16,378 in 2016. Land prices rose amidst strong demand by developers resulting in buoyant en bloc residential sales of about $8.7 billion compared to $1 billion in 2016. While visitor arrivals to Singapore saw strong growth, room rates and length of stay dipped slightly because of the increase in supply of hotel rooms. In China, quality residential developments and office buildings in first-tier and second-tier cities continue to be in strong demand due to steady economic growth and urbanisation policies.

Against this economic backdrop, the Group posted a 12% increase in revenue to $539.4 million, mainly driven by higher revenue recognition from property development projects in China and Malaysia following their completion. As a result, gross profit rose 2% to $197.8 million and attributable profit from continuing operations increased 227% to $89.6 million, primarily due to a net revaluation gain of $44.4 million from its investment properties. Excluding this net revaluation adjustment, the Group's attributable profit from continuing operations was $45.2 million. In FY 2016, the attributable profit from discontinued operations was $113.2 million including a one-time attributable divestment gain of $123 million.

UNIFYING STRENGTHS, INCREASING VALUE

September 2017 saw a major corporate milestone for the Group following the change in the Group's controlling shareholders after the closure of the General Offer triggered by the sale of Oversea-Chinese Banking Corporation Limited ("OCBC Bank"), Great Eastern Holdings Limited ("GEH") and other vendors to Yanlord Perennial Investment (Singapore) Pte Ltd. I am deeply honoured to be appointed as Executive Chairman by the re-constituted board and to lead the organisation forward into its next phase of development and growth. I believe the Group can leverage on the new shareholders' combined wealth of experience in property development and asset management to create more value for all shareholders. The Group will develop and implement asset enhancement initiatives, especially with long-term and freehold income-producing properties. At the same time, we shall continue to manage and streamline the portfolio of businesses which range from property development to manufacturing, trading and systems engineering. During the year, the Group disposed of its liquefied petroleum gas business via an asset sale process on 29 December 2017.

DIVIDEND

The Company paid significantly higher dividends in FY 2016 following the sale of Multi-Fineline Electronix, Inc. and the environmental engineering businesses, which resulted in an attributable gain on disposal of approximately $123 million. As there was no similar major disposal or one-time gain during the year, and because of the Group's long-term plan to grow the property portfolio and continue its asset enhancement initiatives, the Board of Directors deems it prudent to propose a first and final dividend of 4 Singapore cents per ordinary stock unit. The proposed dividends will be paid on 25 May 2018, if approved by members at the forthcoming Annual General Meeting (AGM).

ACCOLADES FOR EXCELLENCE, INNOVATION & SAFETY

Driven by its mission to achieve excellence in all aspects of its operations, FY 2017 saw a bonanza of accolades for the Group on various fronts. On the hospitality front, we bagged 37 awards at the Excellent Service Award (EXSA) for quality service at *Park Avenue Changi*, *Park Avenue Clemenceau* and *Park Avenue Rochester*. The 37 awards comprise two Star Awards (the highest recognition), nine Gold Awards, 24 Silver Awards and two Outstanding Star Awards, which are additional special awards conferred on selected exemplary Star Award winners.

The implementation of two robots at the back-of-house operations in *Park Avenue Rochester* helped the Group win two prestigious awards – the Best Business Innovation Award from Singapore Tourism Board and the Singapore Productivity Award from Singapore Business Federation supported by SPRING Singapore.

The Group was also commended by the Changi Airport Group for its exemplary standard of safety performance in executing engineering works, with no safety infringement being recorded.

LOOKING AHEAD

In line with strengthening global market conditions and improving sentiments, Singapore's office rental and residential property market is likely to see sustained growth, albeit possibly at a slower pace compared to 2017. Despite headwinds from an influx of retail space in regional hubs and increasing acceptance of e-commerce, the retail property market may stabilise and see improvement in 2018.

With the Changi East development project (including Terminal 5) completing in the mid-2020s, Singapore is well-positioned for long-term growth as an aviation hub and tourism destination. The supply of new hotel rooms is expected to taper off in 2018, providing some relief as the pipeline of new hotels in the medium term suggests substantially slower supply growth. With Terminal 4 in operation since October, higher air passenger traffic through Changi Airport is expected to benefit Singapore's hospitality sector.

Growth drivers for the next few years will be from asset enhancement initiatives, property acquisitions and organic growth in major businesses. We are embarking on asset enhancement initiatives for *UE BizHub CITY* and *UE BizHub WEST*. These properties can be redeveloped or enhanced so as to increase yield, efficiency and value. We may also make selective new property investments or residential projects, if and when such opportunities arise. We expect core rental income from the Group's portfolio of investment properties to remain relatively stable and the Group's net asset value to grow steadily. We are also optimistic that the Group's hospitality division will continue to benefit from the buoyant tourism industry.

In China, property cooling measures have led to a relative slowdown in activity but the property market may continue to see sustainable growth in the longer term. The Group will focus on the sales and leasing of *Shenyang Orchard Summer Palace* which saw some improvement during the year. The Group may seek opportunities in developing mid-end residential projects in first-tier and second-tier cities, with a view to providing good quality developments at reasonable prices for home upgraders and buyers.

A NOTE OF APPRECIATION

I would like to express my heartfelt thanks and appreciation to past Board members, namely, Mr Tan Ngiap Joo, Mr Norman Ip, Mr Koh Beng Seng, Mr Koh Poh Tiong, Mr George Lee and Dr Michael Lim for their dedicated service and invaluable contribution as Directors during their tenure of service.

I would also like to welcome the new Board members, namely, Mr Pua Seck Guan, Non-Independent and Non-Executive Director; Mr Teo Ser Luck, Lead Independent and Non-Executive Director; Mr Lee Suan Hiang, Independent and Non-Executive Director; and Mr Roy Tan, Group Managing Director as well as Non-Independent and Executive Director.

Lastly, I wish to thank the management and staff for their tireless dedication, as well as shareholders, business partners and all other stakeholders for their steadfast support, and I look forward to our continued collaboration as the Group forges ahead in its new phase of growth.

Mr Zhong Sheng Jian
Executive Chairman
3 March 2018

致股东函

Park Avenue Rochester

尊敬的各位股东，

2017年亚洲经济发展强劲，尽管全球政治局势紧张，新加坡仍在2017年保持了经济增长的势头，比去年增长了3.5%。同时新加坡的住宅和商业地产市场也在连续几季度的价格下跌和租赁疲软之后迎来了复苏。因私宅需求的激增，2017年住宅交易量增至25,010套，远高于2016年的16,378套。土地价格也随着发展商的进一步需求相应快速上涨，土地投标价格连连创下历史记录，引发了私宅的集体出售热潮，2017年的集体出售总额达到87亿新元，远超2016年的10亿新元。虽然本地旅游业在逐步复苏增长，但酒店客房供给量增加导致酒店房费略有下滑。而得益于政府积极推进的城镇化政策和稳健的经济发展，中国一线、二线城市的优质住宅和写字楼市场依旧保持着强劲的需求及增长空间。

在此市场环境下，集团的销售收入取得12%的增长达至5.394亿新元，主要得益于中国和马来西亚房地产项目的竣工。因此，集团的毛利上扬2%，达到1.978亿新元，可分配利润激增227%至8,960万新元，其中包括从持续经营业务中取得4,520万新元盈利和集团投资型物业4,400万新元的重估盈利。在2016年，集团从非持续经营业务中获得的可分配利润为1.132亿新元，其中包括一次性的脱售盈利1.23亿新元。我们仍对长远发展保持乐观。我在此向各位股东提报集团2017财年诸项业绩同时，也将把联合工程的策略思考与各位做一分享。

强强联手、提升价值

2017年9月，继华侨银行、大东方控股和其他卖方将股份售给仁恒鹏瑞利投资公司之后，集团的控股结构出现变化，标志着集团发展又迎来了一个重要的里程碑。我很荣幸被重组后的董事会委任为执行主席，与管理团队一起带领集团迈上新的成长道路，对此我深感荣幸。我坚信，凭藉新股东们在房地产开发和资产管理方面的深厚经验，集团将会为全体股东创造更高的价值。集团将制定并实施一系列资产增值计划，尤其是针对长期收益、永久地契、能产生稳定租金收益的物业组合。与此同时，我们将继续优化并精简集团业务组合。集团于2017年12月29日已脱售液化石油气业务。

股息

2016财年集团脱售了 Multi-Fineline Electronix, Inc. 和环保工程业务获得了约1.23亿新元的脱售盈利，公司故而派发了较高的股息。2017财年没有类似的一次性收益，同时考虑到集团致力于扩大房地产组合和开展资产增值计划的长期规划，董事会本着合理审慎的做法，建议向股东派发每股4新加坡分的首期及末期股息。一旦派息建议在即将举行的股东大会上获得批准，公司将在2018年5月25日派发股息。

卓越、创新与安全奖项

2017财年，集团各业务部门在开展业务时秉持追求卓越的理念，并收获了丰硕的成果。在酒店业务方面，凭借 *Park Avenue Changi*、*Park Avenue Clemenceau* 和 *Park Avenue Rochester* 的杰出服务，我们在卓越服务奖（简称EXSA）颁奖礼上赢得37个奖项。这37个奖项包括两项星耀大奖（Star Awards，最高级别奖项）、9项金奖、24项银奖和两项杰出星耀大奖，这是向星耀大奖得主中的精选楷模授予的额外特别嘉奖。

UE BizHub CITY

Park Avenue Rochester 酒店采用两台机器人用于后勤服务，让集团赢得了两个极具声望的奖项：新加坡旅游局的最佳商业创新奖，以及获标新局支持的新加坡工商联合总会颁发的新加坡生产力奖。

集团也凭借在机场系统工程项目中的出色安全表现（零安全违章事件）获得了樟宜机场集团的肯定和赞誉。

展望未来

在全球市场回暖及乐观情绪的推动下，新加坡的写字楼租赁和私宅房地产市场预计将迎来可持续的增长，增速可能慢于2017年。尽管各地区的商场新增了大量零售空间，电子商务也日益受到消费者欢迎，零售业面临挑战，但由于旅游业好转及经济向好而处于周期性复苏趋势，零售业房地产市场或将在2018年持稳并实现业绩改善。

随着樟宜东发展项目（包括五号航站楼）在2020年中竣工，新加坡作为重要的航空枢纽和热门旅游胜地将迎来长期的发展机遇。2018年新增酒店客房的供给量预计会逐渐减少，中期规划的新建酒店数量将大幅放缓，这将有助于缓解酒店市场的压力。四号航站楼在2017年10月份开始运营，带动樟宜机场的航空客流量增加，新加坡的酒店业料将从中获益。

未来几年内，集团业务增长将主要来自优化和资产增值计划、物业收购，以及核心业务的扩展。我们正在启动 *UE BizHub CITY* 和 *UE BizHub WEST* 的资产增值计划。我们会选择性地改建或重建，以此来提高资产的收益、效率和价值。我们也将在合适时机选择性地进行新的房地产投资或开发私宅项目。我们预计集团旗下投资性物业的核心租金收入将保持相对稳定，集团的净资产价值将稳步增长。我们也相信，集团的酒店业务将从新加坡旅游业的蓬勃发展中持续获益。

在中国市场，楼市调控措施导致市场活动相对放缓，但房地产市场有望继续取得长期的可持续增长。集团的业务重心是*沈阳夏宫城市广场*（*Shenyang Orchard Summer Palace*）的销售和租赁，该项目去年的业绩有所改善。集团也将在一线和二线城市寻求开发中档住宅楼盘的机会，以合理价格为升级型和刚需型买家提供优质的住宅。

致谢

我由衷感谢前任董事会成员们：陈业裕先生、叶家祥先生、高铭胜先生、许宝忠先生、李立华先生和林俊龙医生在任期内的热忱服务和杰出贡献。

我同时也欢迎新任董事会成员们：非独立非执行董事潘锡源先生、首席独立及非执行董事张思乐先生、独立非执行董事李泉香先生、集团董事总经理兼非独立执行董事陈志强先生。

最后，我谨代表董事会衷心地感谢联合工程管理团队和员工的辛勤付出以及全体股东、合作伙伴和其他相关人士的鼎力支持。非常期待继续与各位通力合作、共同进步，为集团的发展翻开新的篇章！

钟声坚先生
执行主席
2018年3月3日

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 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 White Magnolia 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 and Investment Committee, Singapore-Tianjin Economic & Trade Council, Singapore-Jiangsu Cooperation Council, Singapore-Guangdong Collaboration Council and China-Singapore 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, Member of the Board of Trustees of Chinese Development Assistance Council 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 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 a Director of Vicduo Food Tech Pte. Ltd., the Chairman of Nufin Data Pte. Ltd., an advisor to the Institute of Singapore Chartered Accountants and Singapore Fintech Association.

Mr Teo has 15 years of experience in the private sector managing various companies including DHL Express and also spent 11 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.

BOARD OF DIRECTORS

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. 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 Advance SCT Limited, 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 35 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 2016. 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., Banking Computer Services Private Limited and Energy Market Company Pte Ltd. 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. (First Class Hons) Building, National University of Singapore

Mr Pua Seck Guan joined the Board in September 2017. 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. In addition, he is also the Executive Director and Chief Operating Officer of Wilmar International Limited.

Mr Pua has over 29 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 on 19 October 2017.

Mr Tan has more than 18 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 four other key executives. Brief particulars of their qualifications and work experience are set out below:

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. Before joining the Group, he was CEO of 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 Chartered Accountant of Singapore ("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.

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 864 years
Land area (sq ft):	355,023
Valuation as at 31 December 2017:	$722.4 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 86 years
Land area (sq ft):	Retail: 95,940 (inclusive of residential development) Hospitality: 43,242
Valuation as at 31 December 2017:	$296 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.

ASSET MANAGEMENT

UE BIZHUB EAST

Development type:	Mixed-use
Location:	Changi Business Park, Singapore
Description:	Integrated development comprising exhibition and convention halls, an auditorium, seminar rooms, a business hotel, business park and retail space
Land area (sq ft):	312,164
Net lettable area (sq ft):	Business park: 411,000 (est) Retail: 91,000 (est)
Selected tenants:	Cisco Systems, British Telecom, NTUC FairPrice Xtra
Group's effective interest:	0%*

* The Group divested *UE BizHub EAST* in November 2013 but continues to operate the hotel and serviced apartments business under *Park Avenue Changi*, as well as manages the business park and retail space

UE BIZHUB TOWER

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 2017:	$431 million
Net lettable area (sq ft):	202,000 (est)
Selected tenants:	Collision 8 Pte Ltd, Japan Travel Bureau Pte Ltd, Obayashi Singapore Pte Ltd
Group's effective interest:	100%
Held by:	UE Development (Anson) Pte. Ltd.

KEY PROPERTY PORTFOLIO
ASSET MANAGEMENT

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 2017:	$406 million
Net lettable area (sq ft):	462,000 (est)
Selected tenants:	Hewlett-Packard
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+30 years leasehold from 1/4/1984 and 23+30 years leasehold from 1/2/1991; remaining lease of 27 years
Land area (sq ft):	258,068
Valuation as at 31 December 2017:	$36 million
Net lettable area (sq ft):	289,000 (est)
Selected tenants:	Apple, Arris
Group's effective interest:	100%
Held by:	United Engineers Limited

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 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

CHANGI LINK

Location:	Changi Business Park, Singapore
Description:	2-storey shopping mall, part of *UE BizHub EAST*
Net lettable area (sq ft):	91,000 (est)
Selected tenants:	NTUC FairPrice Xtra


Photo Credit: SPH

THE SELETAR MALL*

Location:	Fernvale Road, Singapore
Description:	4-storey shopping mall
Net lettable area (sq ft):	188,000 (est)
Selected tenants:	Shaw Theatres, NTUC Foodfare, 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

KEY PROPERTY PORTFOLIO
DEVELOPMENT

CHENGDU ORCHARD VILLA

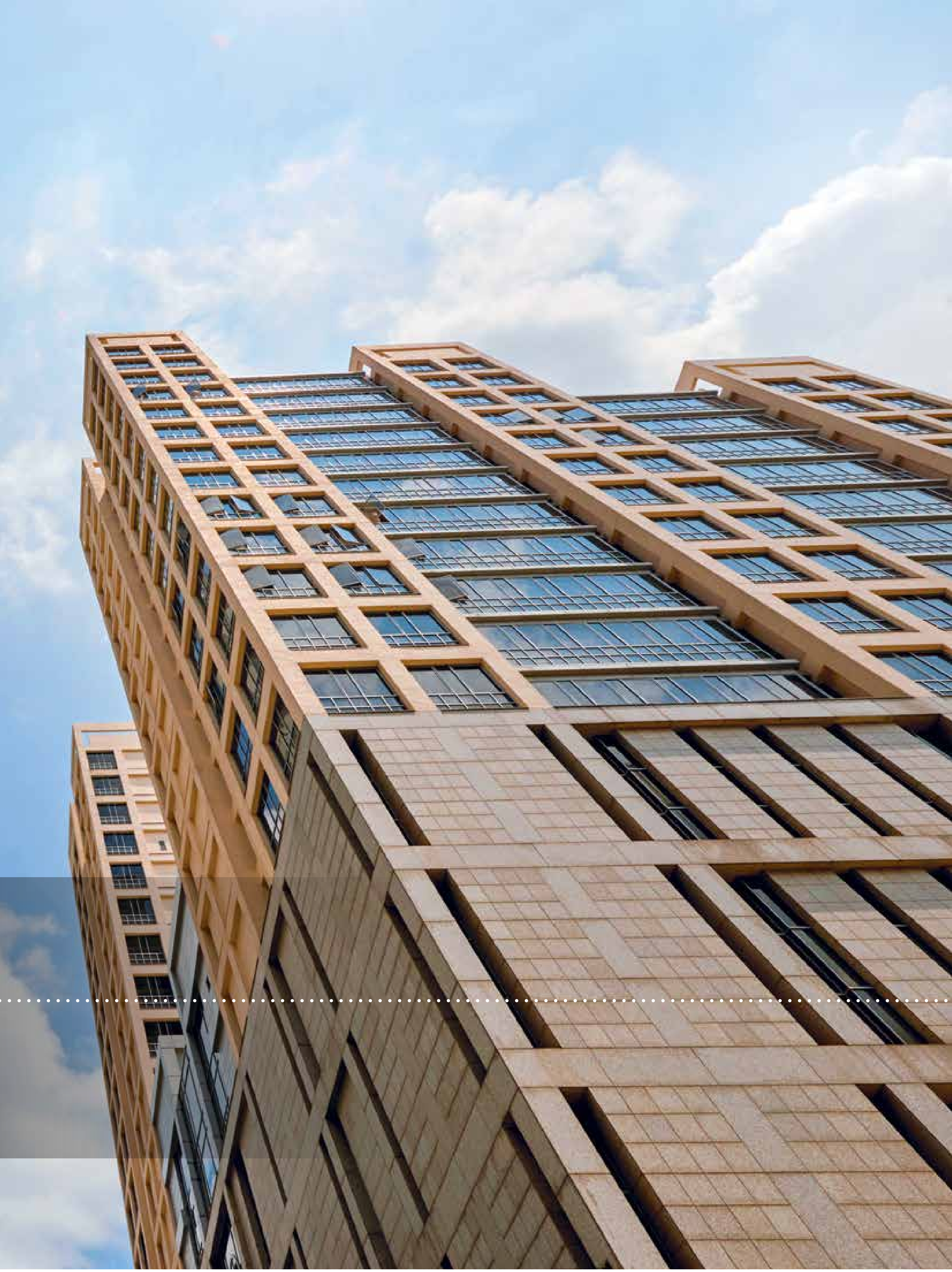
Development type:	Residential
Location:	Chengdu, China
Description:	1,366 units of semi-detached villas and terrace houses
Tenure of land:	70 years leasehold from 18/9/2003
Land area (sq ft):	3,437,605
Gross floor area (sq ft):	3,158,656
Group's effective interest:	67.6%
Held by:	Chengdu Huaxin International Realty Co., Ltd.

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
Group's effective interest:	67.6%
Held by:	Shenyang Summer Palace Property Development Co., Ltd.

REVIEW OF OPERATIONS

- PROPERTY RENTAL AND SERVICES
- PROPERTY DEVELOPMENT
- HOSPITALITY



REVIEW OF OPERATIONS

Chengdu Orchard Villa recognised 100% sales of its phase 4 units

PROPERTY RENTAL AND SERVICES

Office and industrial rents rose marginally in the last quarter after sliding for eight consecutive quarters. Amidst challenging but recovering rental markets in Singapore, commercial and industrial property assets of United Engineers Developments Pte. Ltd. ("UED") which comprise *UE BizHub CENTRAL*, *UE BizHub CITY*, *UE BizHub TOWER* and *UE BizHub WEST* continued to achieve healthy average occupancies of between 85% to 95%. Given its close proximity to Fort Canning MRT Station (Downtown Line) which opened in October, *UE BizHub CITY* saw a high level of tenancy renewals and enjoyed almost full occupancy with the new entry of Tyco Electronics as a major tenant.

Our portfolio of retail malls comprising *UE Square Shopping Mall*, *Rochester Mall* and *The Seletar Mall* also enjoyed healthy occupancy rates even as the Singapore retail industry experienced another tough year and the retail landscape continued to evolve in line with e-commerce trends and the increase of retail space in regional hubs.

Going forward, the Group intends to rejuvenate *UE BizHub CITY*, bringing a refreshed customer experience to *UE Square Shopping Mall*. Through asset enhancement initiatives, UED will further improve the recurring rental income and increase space efficiency for its investment properties. UED will also capitalise on selective acquisition opportunities to increase the portfolio of commercial assets.

PROPERTY DEVELOPMENT

In Malaysia, 129-unit condominium *The Manhattan* located at Jalan Raja Chulan, the "Golden Triangle" of Kuala Lumpur, obtained Temporary Occupation Permit (TOP) in August. Whilst UED is actively marketing its existing available-for-sale residential units, it will continue to source and participate in land bids in Singapore, albeit cautiously, given the buoyant en bloc sales market which has resulted in land prices increasing steadily over the past few months.

In China, the Group's China property division ("Huaxin International") continued with the sales and leasing of the office units at *Shenyang Orchard Summer Palace*, and approximately 40% of office units were sold or leased as at 31 December. *Chengdu Orchard Villa* recognised 100% sales of its phase 4 units comprising 162 townhouses and handed over to the owners in December. During the year, a further 66 units were sold from the previous phases and the remaining six units are showroom units. With no inventory available for sale and given the improving market conditions, Huaxin International commenced construction for phase 5 comprising 231 townhouses.

The Manhattan obtained TOP in August

Park Avenue deployed robots in the linen room to transport used and clean linen

HOSPITALITY

Park Avenue Rochester, *Park Avenue Changi*, *Park Avenue Clemenceau* and *Park Avenue Robertson* achieved consistently strong occupancies throughout the year despite a significant increase in hotel room supply in Singapore. Responding to healthy demand for hotel rooms in the Buona Vista vicinity, *Park Avenue Rochester* completed the second phase of its asset enhancement programme in April, increasing the total number of room keys from 311 to 351. In addition, *Park Avenue Rochester* will be introducing more meeting rooms and serviced offices in 2018.

During the year, *Park Avenue* won several awards in different areas. The implementation of two robots helped the Group garner two prestigious awards – the Best Business Innovation Award from Singapore Tourism Board and the Singapore Productivity Award from Singapore Business Federation supported by SPRING Singapore, in recognition of its continuous commitments to higher productivity and innovation. In addition, it won a total of 37 awards at EXSA for its quality service, including two Star Awards, nine Gold Awards, 24 Silver Awards and two Outstanding Star Awards. *Park Avenue* was also presented with the Hotel Security Award 2017 by Singapore Hotel Association, National Crime Prevention Council and Singapore Police Force, in recognition of its contribution towards high security standards in Singapore's hotel industry.

The use of robots helped improve productivity and efficiency at *Park Avenue*

Park Avenue won Singapore Productivity Award at the Singapore Productivity Awards 2017

As part of the service culture to constantly embrace leading technologies and innovation in enhancing guest experience, *Park Avenue* is planning to implement an e-signature system and self check-in kiosks to enable faster admission and convenience for hotel guests.

REVIEW OF OPERATIONS

- **ENGINEERING**
- **DISTRIBUTION**
- **MANUFACTURING**

REVIEW OF OPERATIONS

ENGINEERING

The Security & Sensor business of O'Connor's Singapore Pte Ltd ("O'Connor's Singapore") continued to secure projects from Changi Airport Group (CAG) to provide CCTV (closed-circuit television) solutions and contracts from Land Transport Authority to track illegal parking of vehicles. Its Medical, Radiation, Laboratory & Product Distribution business performed well largely due to increased sales from CAG and other public sector clients as well as major companies. O'Connor's Singapore is in discussions with new partners to explore the area of medical and deep learning technologies in radiological imaging reading services. The Satellite Communications business saw improved sales and it was awarded the Milestone (Video Management System) Best Channel Partner of the Year Singapore 2016.

O'Connor's Malaysia provided communications systems for offshore platforms

Installation of parking enforcement cameras in Singapore

O'Connor's Engineering Sdn Bhd ("O'Connor's Malaysia") began on a cautious note amidst weak market sentiments caused by falling commodity prices as well as the deferment of projects by the clients. However, the market recovered in the second half of the year and O'Connor's Malaysia managed to steadily clinch major projects from the oil and gas, and telecommunications sectors. Several projects completed included network automation solutions for Telekom Malaysia as well as the stage lift system for Genting Malaysia. In line with the emergence of artificial intelligence, voice biometrics and mobile applications, the call centre industry will be revolutionised and O'Connor's Malaysia expects a bullish outlook in this sector. To further enhance its strong position in systems engineering and network solutions, O'Connor's Malaysia will continue to invest in staff training with necessary knowledge and skillsets.

O'Connor's (Thailand) Co., Ltd saw weaker sales performance of its measurement products because of market conditions but expects to see better sales going forward with the new factory set up by the clients and introduction of new products such as Zygo, 3D optical profiler and laser interferometer.

REVIEW OF OPERATIONS

DISTRIBUTION

During the year, Welmate supplied *Promatect* fire-resistant boards to various mixed-use development and office projects including *Marina One* and *DUO*. There was an increase in sales of *Acotec* precast concrete panels attributed to a rise in number of Housing & Development Board projects. Welmate also supplied *Rockfon* ceiling products to several large projects, including *Urban Oasis*, *Fraser Tower* and *National University Centre for Oral Health, Singapore*. To widen its product offerings, Welmate has started distributing new autoclaved aerated concrete panels and raised floor systems.

Acotec precast concrete panels used in several Housing & Development Board projects

Polytek Engineering continued to win contracts from the public and private sectors to supply boiler and laundry equipment. It also successfully completed several projects, including the installation of the folding machine for SATS Aero Laundry, and boilers for California Laundry as well as the overhaul of boilers for pharmaceutical and healthcare industries. During the year, Polytek Engineering added new product offerings, including a laundry bag system, a new boiler system, a finishing garment press and an iron machine, as well as water heaters. Going forward, it will continue to expand its product range and to increase revenues from maintenance services.

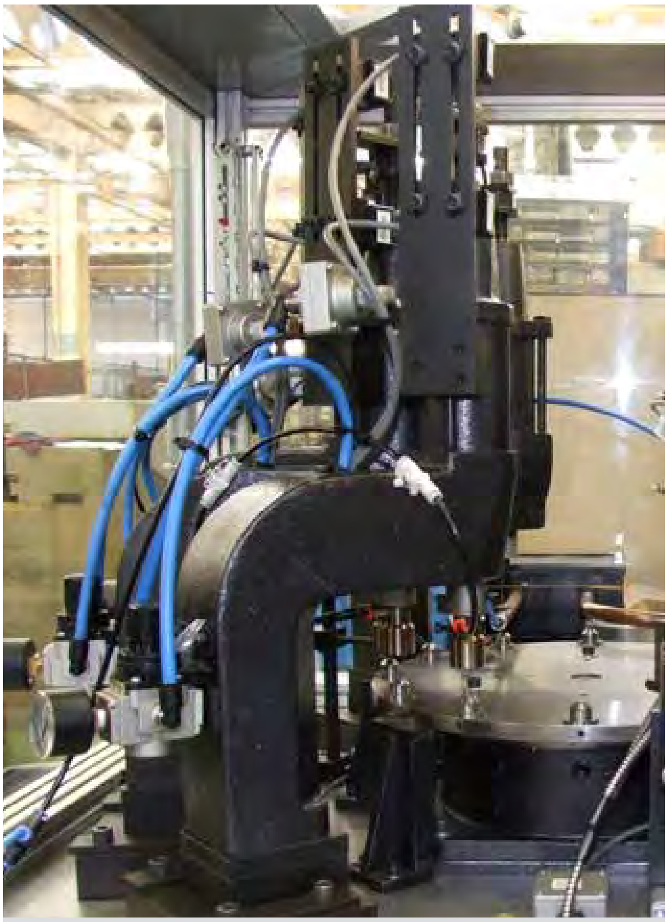
Polytek Engineering supplied and installed *Cleaver Brooks* boiler equipment in Singapore

Far East Motors completed a number of projects including Dnata airport services workshop, *Seletar Bus Depot*, *Ulu Pandan Bus Depot*, *Seletar Camp* and *Kranji Camp*. During the year, it introduced a new channel, partnering with the local distributor of Land Rover, Wearnes Automotive, to supply parts of *Land Rover Defender* to ST Kinetics and ST Logistics. In addition, new products such as *Leisu* automatic high pressure car wash and *Otto Christ* brush wash machine were added to its product offerings to meet the demand from fleet owners and workshops. Far East Motors also secured the first direct sale contract to supply *Tatsuno* fuel dispensing pumps to all Shell service stations in Singapore. It will continue to work closely 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 mainly driven by the robust performance of the construction industry and increased production of specialty dried sands. During the year, Pacific Silica added more road trucks to its fleet and completed major expansion works at its sand feeding preparation plant enhancing the recovery of materials whilst improving data captured through the installation of density gauges and flow meters. These initiatives will boost the sales and business going forward.

Sand mining operations in Brisbane, Australia

REVIEW OF OPERATIONS



Automated assembly machine assures quality and consistency for manufacturing connectors

MANUFACTURING

The Group's manufacturing division recorded lower revenues mainly due to precision engineering business, where some old programs reached their end-of-life while new replacement programs have yet to achieve mass production volumes. Its investments in automation and continued focus on quality as well as productivity improvements resulted in precision engineering business in China achieving similar performance despite the revenue shortfall. It also renovated the facility, including a complete re-layout exercise as part of its Lean manufacturing initiative. The refreshed facility and capability enhancements will attract higher value-added businesses. Going forward, the precision engineering business will continue with cost management initiatives and enhance the supply chain management.

In line with the rising labour costs and scarcity of production operators, the Group's components business in China continued to transform and move towards a high-volume, low-mix model whilst increasing automation and value-add. It has started to make in-roads into non-traditional business sectors, including the automotive sectors by leveraging on the reputation and expertise from the precision engineering business, with some success. It expects more wins as it continues its business transformation exercise.

The components business in United Kingdom performed well, leveraging on its domain knowledge in connectors and ability to provide bespoke solutions. It also acquired new customers in aerospace and medical sectors, as well as widened its product offerings. The strength and reputation of this business has attracted a number of large customers requesting for input into the re-design and improvement of some existing connectors for aerospace and military use.

A security system undergoing functional testing before installation at retail malls

OCCUPATIONAL SAFETY AND HEALTH

Staff training on the proper use of CPR

The Group supported healthy lifestyle through sports activities, such as bowling

With a firm commitment to provide and maintain a safe and healthy workplace environment, the Group has implemented appropriate policies and procedures to minimise occurrence and impact of workplace incidents and occupational diseases. It also conducts audits regularly on workplace safety & health (WSH) practices to ensure compliance and continuous improvement. The Group periodically reviews and enhances the security policies and practices for its major businesses and properties in Singapore. Regular fire drill and evacuation exercises were also conducted to familiarise tenants and visitors of emergency evacuation procedures and routes for the Group's properties.

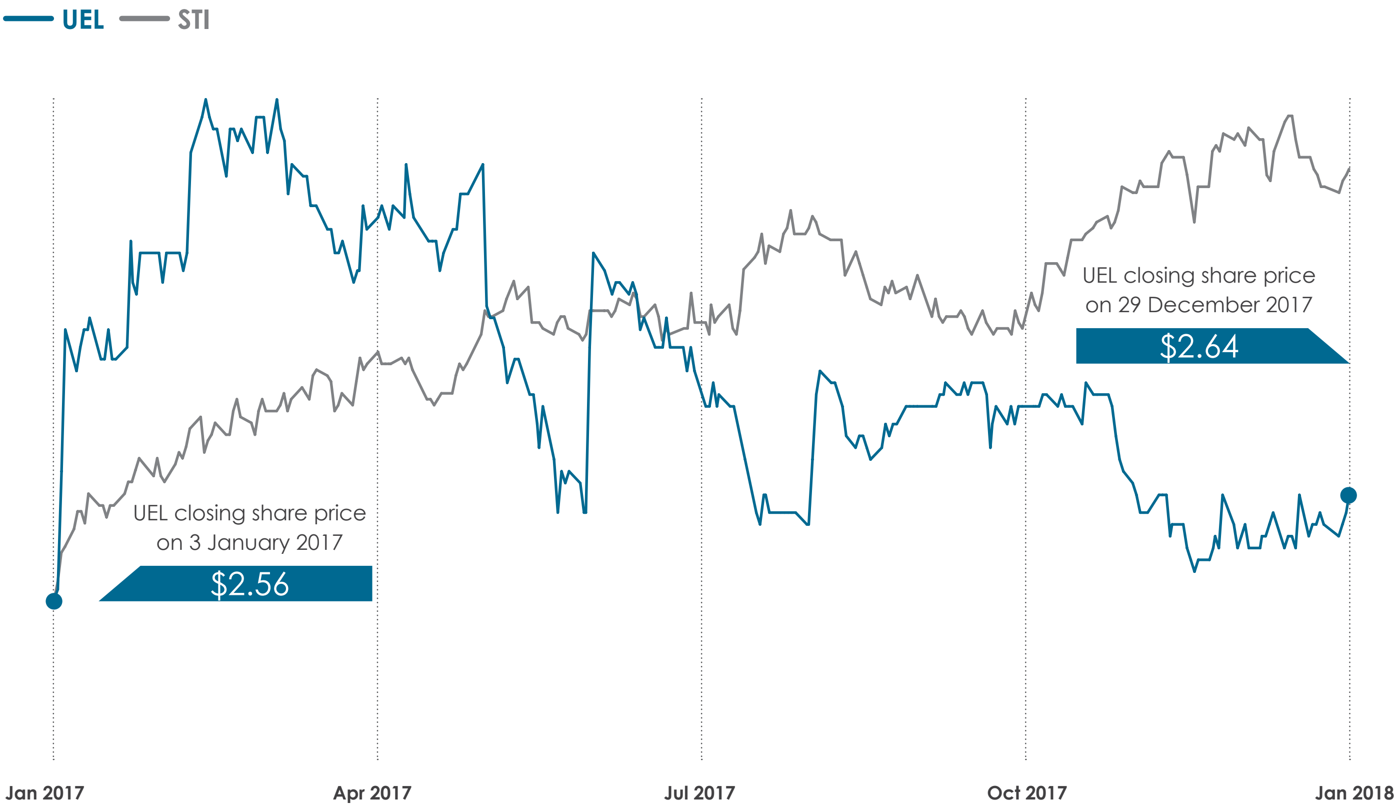
The Company and nine of its major business units/subsidiaries from the hospitality, engineering & manufacturing divisions are OHSAS 18001:2007 certified. When engaging vendors/contractors for its projects, the safety track records of these vendors/contractors are considered and preference is given to engaging vendors/contractors who are bizSAFE-certified. The Group strives to maintain high safety standard when carrying out work at customers' worksites. In 2017, O'Connor's Singapore was commended by Changi Airport Group for its exemplary standard on safety performance in project execution, with no safety infringement being recorded.

When engaging vendors/contractors for its projects, the safety track records of these vendors/contractors are considered and preference is given to engaging vendors/contractors who are bizSAFE-certified.

During the year, training programmes were conducted to raise awareness and increase employees' knowledge in health and safety matters. These included staff training on the proper use of cardiopulmonary resuscitation (CPR), automated external defibrillator (AED) and fire safety equipment, as well as seminars and classes on fire safety and prevention, work at height and basic self-defence. The Group supported healthy lifestyle through sports and recreational activities such as bowling, cycling and table tennis, as well as organised talks and workshops on health and wellness topics. The Group also participated in the Corporate National Step Challenge organised by Health Promotion Board. In addition, health screening benefits are also extended to eligible employees.

Moving forward, the Group will continue to review its WSH practices so as to continually bring about and maintain a safe and healthy workplace environment for its staff and other stakeholders.

INVESTOR RELATIONS



Relative performance of UEL share price against the Straits Times Index (STI)

Building investor confidence through timely disclosure of materials and sensitive information, as well as regular communication with the investment community is the key focus of the Group's Investor Relations function.

In upholding the principle of communicating to investors promptly and effectively, disclosures are primarily made on SGXNET (www.sgx.com), the Group's corporate website (www.uel.sg) and ShareInvestor (www.shareinvestor.com). Investors can also sign up online for email alerts to obtain latest updates and announcements by the Group.

In April, the Group held its 103rd AGM to give shareholders an update on the Group's performance in 2016, address issues and pass various resolutions. The AGM was well attended by about 200 shareholders. During the year, Management engaged with analysts and the media, as well as existing and potential investors through various platforms including emails, one-on-one or group meetings and conference calls. UEL was awarded the Best in Sector & Best Performing Stock (Multi-Industry) in 2017 by The Edge Singapore Billion Dollar Club.

In January, UEL's share price rose following the joint announcement by OCBC Bank and GEH regarding the review of their strategic options in respect of their combined stakes in UEL and WBL. In July, the Group went through a General Offer triggered by Yanlord Perennial Investment (Singapore) Pte. Ltd. acquiring the sale of UEL shares owned by OCBC Bank, GEH and other vendors. Following the closure of the General Offer in September, the Board of Directors was reconstituted with Mr Zhong Sheng Jian appointed as Executive Chairman to lead the Group in its next phase of development and growth.

In January, UEL's share price rose following the joint announcement by OCBC Bank and GEH regarding the review of their strategic options in respect of their combined stakes in UEL and WBL.

UEL's share price closed at $2.56 on 3 January 2017 and ended the year closing at $2.64 on 29 December 2017.

A first and final dividend of 4 Singapore cents per ordinary stock unit was proposed for the financial year ended 31 December 2017.

CORPORATE SOCIAL RESPONSIBILITY

Park Avenue participated in the Community Chest HeartStrings Walk 2017


Spreading Christmas cheer at *UE Square Shopping Mall*


The Tree of Hope and Heart was adorned with recycled plastic bottles and bottle caps

The Group is committed to improving the socio-economic well-being of its stakeholders by ensuring that corporate social responsibility (CSR) practices are part and parcel of its business operations, and are driving various initiatives to support societal objectives. In property development, the Group continues to develop sustainably-built and marketable properties with green features such as high water and energy efficiency, natural ventilation to promote air circulation, recycling of waste and refuse, as well as environmental protection. Through the efficient use of environmental resources, it contributes to the operational efficiency and long-term sustainability of the Group.

As a responsible corporate citizen, the Group also supports a number of meaningful causes and social initiatives to give back to society. In July, it contributed to Society for the Physically Disabled through the Building Bridges charity dinner organised by the Building & Construction Authority which seeks to communicate the importance and benefits of universal design and the role in developing an inclusive society. *Park Avenue* also participated in the Community Chest Heartstrings Walk 2017 and the SHARE programme.

During the Christmas period, the Group put up a special Christmas tree which was named The Tree of Hope and Heart at *UE Square Shopping Mall*, spreading festive cheer and promoting environmental protection as well. The Tree of Hope and Heart was adorned with re-purposed and re-used items including plastic bottles which were shaped into flower ornaments, whilst the use of bottle caps added a sparkling touch to the heart of the 'flowers'. The beautiful creative decorations and 'Love the Earth' messages brightened up the tree and created an uplifting festive ambience for everyone. In the true Yuletide spirit of giving, food donation drives were organised at *UE Square Shopping Mall* from 30 November to 6 December and *Rochester Mall* on 2 December. People from all walks of life contributed their gifts of food items at the donation booths for Heart to Heart Service, a non-government and non-profit society which provides food and monetary assistance to the poor and needy families.

In addition, the Group's manufacturing business in China embarked on a programme to award monetary grants to 13 staff with children studying in high schools and universities, helping to defray their cost of study materials. It also started using energy-efficient exhaust scrubbers and equipment to reduce fossil fuel utilisation in its factories. In Malaysia, O'Connor's organised the blood donation drive in support of University of Malaya Medical Centre.

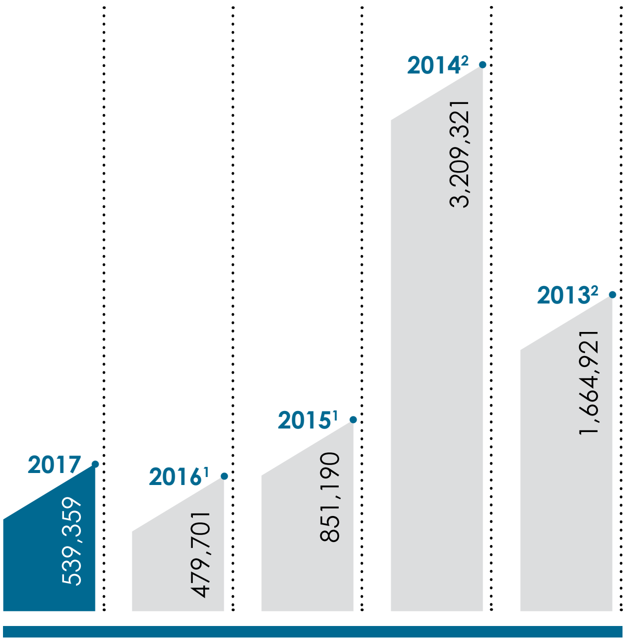
5-YEAR FINANCIAL PROFILE OF THE GROUP

	2017	2016[2]	2015[2]	2014[3]	2013[3]
Income Statement ($000)					
Continuing operations [2,3]					
Revenue	**539,359**	479,701	851,190	3,209,321	1,664,921
Profit before Tax	**105,348**	29,513	63,446	75,754	53,166
Income Tax Expense	**(19,508)**	(8,773)	(512)	(35,267)	(40,146)
Profit Net of Tax	**85,840**	20,740	62,934	40,487	13,020
Continuing & discontinued operations					
Profit Attributable to Owners of the Company, Net of Tax (Net Profit)	**89,573**	140,581	102,210	123,583	118,060
Statement of Financial Position ($000)					
Property, Plant and Equipment	**148,277**	162,909	359,385	389,315	782,243
Investment Properties	**1,908,627**	1,859,418	1,857,542	1,847,071	1,870,923
Other Non-Current Assets	**222,520**	234,032	298,437	328,741	503,511
Net Current Assets[1]	**866,548**	1,279,673	1,483,667	1,715,439	2,464,561
	3,145,972	3,536,032	3,999,031	4,280,566	5,621,238
Stockholders' Equity	**1,901,434**	1,883,007	1,830,603	1,803,846	1,711,660
Non-Controlling Interests	**306,136**	311,885	556,864	576,348	809,696
Short and Long-Term Borrowings	**831,021**	1,191,448	1,443,761	1,716,909	2,882,276
Other Non-Current Liabilities	**107,381**	149,692	167,803	183,463	217,606
	3,145,972	3,536,032	3,999,031	4,280,566	5,621,238
Net Borrowings ($000)	**446,310**	567,472	899,634	1,066,662	1,976,877
Net Debt to Equity (times)	**0.23**	0.30	0.49	0.59	1.15
Per Stock Unit Basic Earnings (cents)					
- Profit Attributable to Ordinary Stockholders after Preference Dividend	**14.0**	22.0	16.0	19.4	24.5
Ordinary Dividends					
- First and final (cents)	**4.0***	5.0	5.0	5.0	5.0
- Special (cents)	**-**	7.0	3.0	5.0	2.0
- Cover (times)	**3.51**	1.83	2.00	1.94	3.50
Net Tangible Assets[4] ($)	**3.09**	3.05	2.93	2.88	2.70

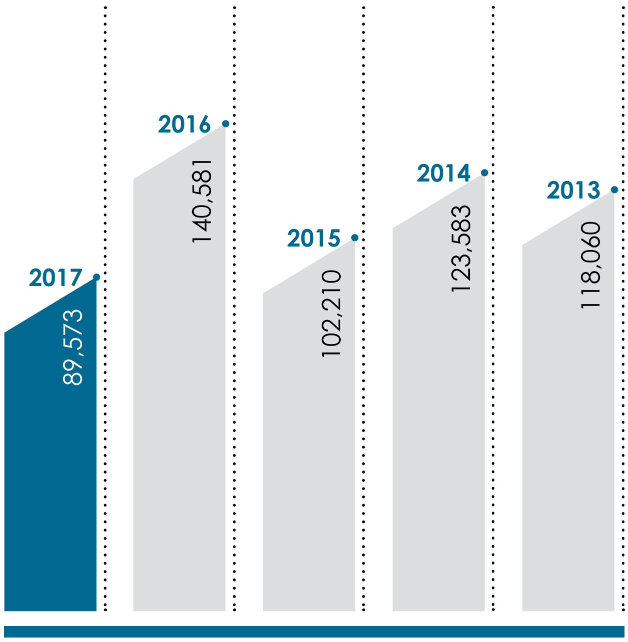
1 In arriving at net current assets, short-term borrowings have been excluded
2 Income Statement on continuing operations basis, as presented in 2016 Annual Report
3 Income Statement on continuing operations basis, as presented in 2014 Annual Report
4 Based on total number of issued stock units excluding the number of stock units held by a subsidiary
* Subject to shareholders' approval

KEY FINANCIAL HIGHLIGHTS

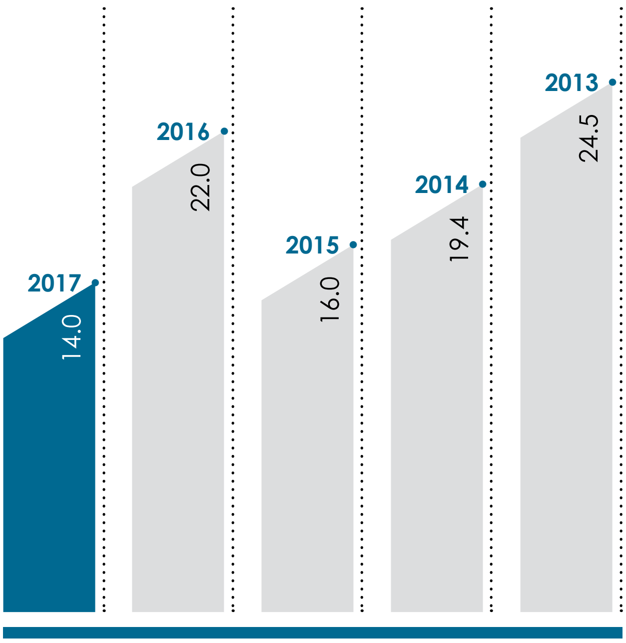
GROUP REVENUE ($000)



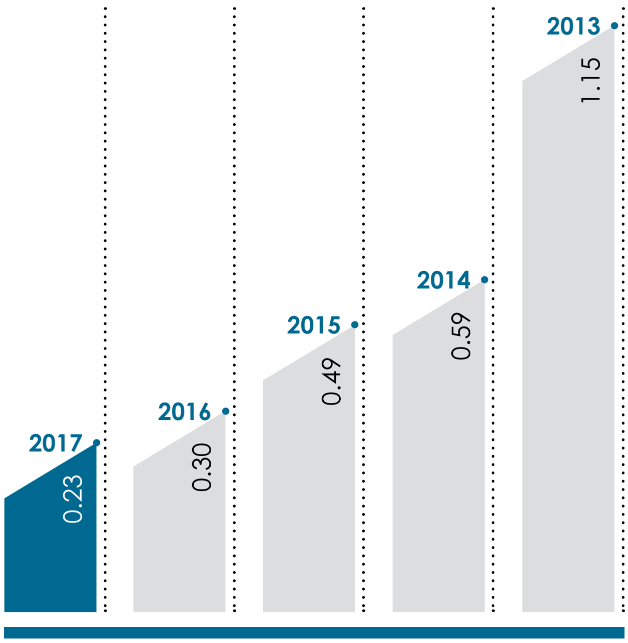
GROUP NET PROFIT ($000)



EARNINGS PER STOCK UNIT
(CENTS)



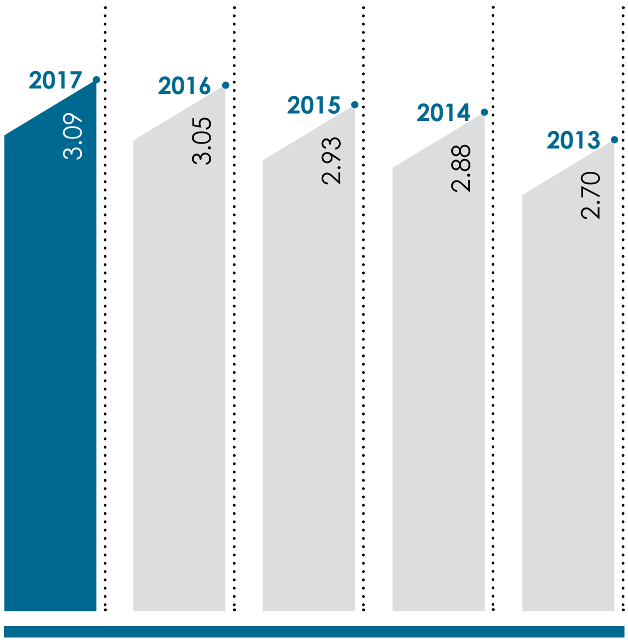
NET DEBT TO EQUITY
(TIMES)



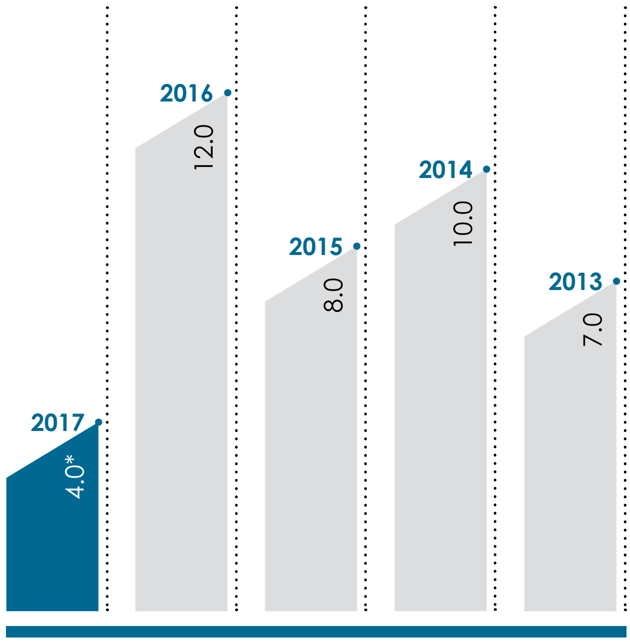
[1] *Based on continuing operations basis, as presented in 2016 Annual Report*
[2] *Based on continuing operations basis, as presented in 2014 Annual Report*
[3] *Based on total number of issued stock units excluding the number of stock units held by a subsidiary*
* *Subject to shareholders' approval*

KEY FINANCIAL HIGHLIGHTS

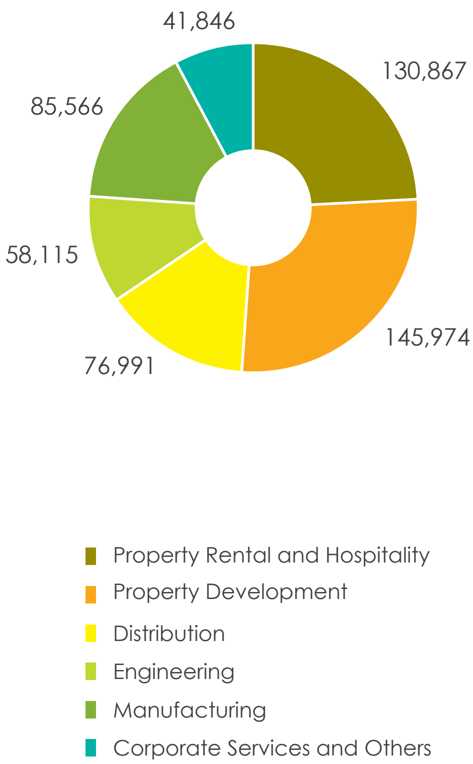
NET TANGIBLE ASSETS[3] PER STOCK UNIT ($)



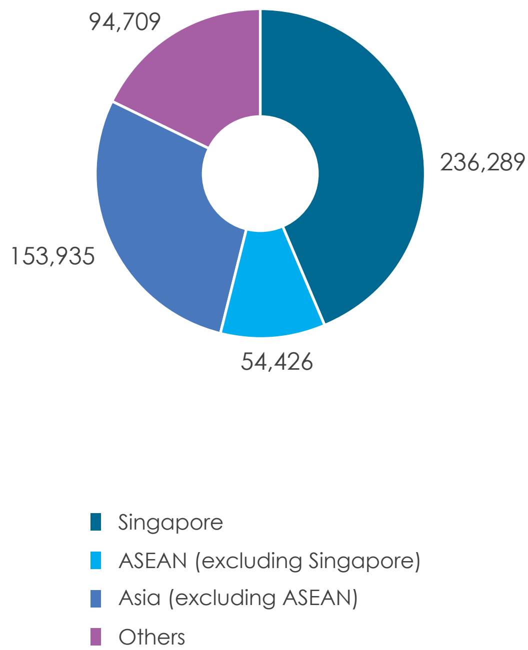
DIVIDEND PER ORDINARY STOCK UNIT (CENTS)



REVENUE BY BUSINESS SEGMENTS ($000)



REVENUE BY GEOGRAPHICAL SEGMENTS ($000)



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;

(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 guided by their specific terms of reference.

Following the changes to the composition of the Board in September 2017, the composition of the Board Committees have been re-constituted as follows, with effect from 19 September 2017:

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

Notes:

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 the financial year ended 2017 ("FY 2017") are set out below:

	Board		**EXCO#**		**ARC©**		**NC©**		**RC©**	
Number of meetings held	**6**		**1**		**6**		**1**		**3**	
Name of Director	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
Mr Zhong Sheng Jian(1)	2	2	N/A	N/A	1	1*	1	1	1	1*
Mr Teo Ser Luck(2)	2	2	N/A	N/A	1	1	1	1	1	1
Mr Lee Suan Hiang(3)	2	2	N/A	N/A	1	1	1	1*	1	1
Mr David Wong Cheong Fook	6	6	N/A	N/A	6	6^	1	1	3	3*△
Mr Pua Seck Guan(4)	2	2	N/A	N/A	1	1*	1	1*	1	1
Mr Tan Chee Keong Roy(5)	2	2	N/A	N/A	1	1¤	1	1¤	1	1¤
Mr Tan Ngiap Joo(6)	4	4	1	1	5	4*	N/A	N/A	2	2
Mr Norman Ip Ka Cheung(7)	5	5	1	1	5	5^¤	N/A	N/A	2	2¤
Mr Koh Beng Seng(6)	4	4	1	1	5	5^	N/A	N/A	N/A	N/A
Mr Koh Poh Tiong(6)	4	4	N/A	N/A	5	3*	N/A	N/A	2	2
Mr Lee Lap Wah, George(6)	4	3	1	1	5	2*	N/A	N/A	2	1*
Dr Michael Lim Chun Leng(6)	4	4	N/A	N/A	5	4^	N/A	N/A	2	2

Notes:

A Number of meetings held during the period the Director was a member of the Board and/or the Board Committee.
B Number of meetings attended during the period the Director was a member of the Board and/or the Board Committee.
^ 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.
# The Executive Committee ("EXCO") has been dissolved on 19 September 2017.
¤ In attendance
* By invitation.
△ The RC held two (2) meetings during the period Mr David Wong Cheong Fook was a member of the RC. On 19 September 2017, he ceased as a member of the RC.
© The Board Committees (i.e. ARC, NC and RC) have been re-constituted on 19 September 2017.
(1) Appointed as a Non-Independent and Executive Director on 12 September 2017 and assumed the role of Executive Chairman on 19 September 2017.
(2) Appointed as a Lead Independent and Non-Executive Director on 19 September 2017.
(3) Appointed as an Independent and Non-Executive Director on 19 September 2017.
(4) Appointed as a Non-Independent and Non-Executive Director on 12 September 2017.
(5) Appointed as the Group Managing Director on 19 October 2017.
(6) Resigned on 19 September 2017.
(7) Resigned on 18 October 2017.
N/A Not applicable.

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 Board considers that the current Board size is adequate for effective decision making. 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 also meet regularly without the presence of the management. As the composition of the Board and the Board Committees have been recently re-constituted on 19 September 2017, there was no evaluation done by the NC to assess the performance of each individual Director and effectiveness of the Board and the Board Committees during the year.

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. On 19 September 2017, the Company 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 and Non-Executive Directors meet periodically 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 2017, the NC met once. 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

(viii) 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 26 April 2018 are set out in the Notice of AGM on pages 148 to 152 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	• Yanlord Land Group Limited	Nil	Nil
Teo Ser Luck	Lead Independent and Non-Executive Director	19 September 2017	• Serial System Ltd • BRC Asia Limited	Nil	• Elected Member of Parliament of Singapore • Chairman of Nufin Data Pte. Ltd. • Director of Vicduo Food Tech Pte. Ltd.
Lee Suan Hiang	Independent and Non-Executive Director	19 September 2017	• Advance SCT Limited • Anacle Systems Limited • CITIC Envirotech Ltd. • Perennial Real Estate Holdings Limited • Viking Offshore and Marine Limited • MindChamps PreSchool Limited	• Memstar Technology Ltd.	• Director of Global Culture Alliance Ltd • Director of Singapore Institute of Directors • President of Economic Development Board Society
David Wong Cheong Fook	Independent and Non-Executive Director	1 January 2011 / 29 April 2016	• PEC Ltd.	• PacificMas Bhd	• Chairman of Republic Polytechnic
Pua Seck Guan	Non-Independent and Non-Executive Director	12 September 2017	• Perennial Real Estate Holdings Limited • Wilmar International Limited	Nil	• Member of Consultative Committee of National University of Singapore – Department of Real Estate • Member of Singapore-China Business Council of Singapore Business Federation
Tan Chee Keong Roy	Group Managing Director and Non-Independent and Executive Director	19 October 2017	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 guided by its terms of reference.

The RC meets at least once a year and more often if required. In FY 2017, the RC held three (3) 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 2017.

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 2017, 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 2017 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[(1)]	16,630	1	–	–	16,631
Mr Teo Ser Luck[(2)]	26,357	–	–	–	26,357
Mr Lee Suan Hiang[(3)]	22,083	–	–	–	22,083
Mr David Wong Cheong Fook	109,233	–	–	–	109,233
Mr Pua Seck Guan[(4)]	16,630	–	–	–	16,630
Mr Tan Chee Keong Roy[(5)]	–	379,273	650,000	48,168	1,077,441
Mr Tan Ngiap Joo[(6)]	167,561	–	–	10,727	178,288
Mr Norman Ip Ka Cheung[(7)]	76,630	287,727	150,000	71,521	585,878
Mr Koh Beng Seng[(6)]	90,191	–	–	–	90,191
Mr Koh Poh Tiong[(6)]	77,424	–	–	–	77,424
Mr Lee Lap Wah, George[(6)]	62,657	–	–	–	62,657
Dr Michael Lim Chun Leng[(6)]	90,191	–	–	–	90,191

Notes:

(1) Appointed as a Non-Independent and Executive Director on 12 September 2017 and assumed the role of Executive Chairman on 19 September 2017.
(2) Appointed as a Lead Independent and Non-Executive Director on 19 September 2017.
(3) Appointed as an Independent and Non-Executive Director on 19 September 2017.
(4) Appointed as a Non-Independent and Non-Executive Director on 12 September 2017.
(5) Appointed as the Group Managing Director on 19 October 2017. Prior to that, he was Group Chief Financial Officer of the Company.
(6) Resigned on 19 September 2017.
(7) Resigned on 18 October 2017.

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 34 in the Notes to the Financial Statements on page 127 of this Annual Report.

Remuneration Bands	No. of Executives
Below $250,000	1
$250,001 – $500,000	3
$500,001 – $750,000	-
$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

The ERM framework forms part of ARC's scope and responsibilities. Supported by the Group Managing Director and other senior executives of the Company, 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, including the subsidiaries. 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 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, which was first established in FY 2009, is in line with international best practices. The 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 31000:2009 that 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 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 2017 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.

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 ARC's functions.

The ARC meets at least four (4) times a year. In FY 2017, 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**
Adequacy of provision for rental top up for the business park, retail and hotel components of *UE BizHub EAST* which amounted to $45 million as at 31 December 2017.	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 2017. Refer to page 55 of this Annual Report. Based on the work performed, the external auditor considered the assumptions used by management to be appropriate.
Fair value of the investment properties of the Group which amounted to $1,909 million as at 31 December 2017.	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 2017. Refer to page 56 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 $557 million as at 31 December 2017.	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 2017. Refer to page 56 of this Annual Report. Based on their independent assessment, the external auditor considered the methodology and 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 94 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 or director 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 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.

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 view 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

IPT Mandate was renewed by the Company at the last AGM held on 25 April 2017. The IPT Mandate defines the levels and procedures to obtain approval for such IPTs. Details of the IPT Mandate were disclosed in the Letter to Members dated 7 April 2017. The Company is not seeking to renew the IPT Mandate at the forthcoming AGM.

The Company maintains a register of the Group's IPT in accordance with the reporting requirements stipulated by Chapter 9 of the Listing Manual of the SGX-ST. Information on IPTs for FY 2017 can be found on page 145 of this Annual Report under Other Information Required under the SGX-ST Listing Manual.

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

CONTENTS

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 2017.

OPINION OF THE DIRECTORS

In the opinion of the directors of the Company,

(i) the audited 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 2017 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	(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)

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/date of appointment**	**At the end of financial year**	**At the beginning of financial year/date of appointment**	**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]	–	–	213,116,206	214,122,906
		Preference Shares		
Mr Zhong Sheng Jian[1]	–	–	850,243	854,993
	$150 million 5-year 3.68% per annum Fixed Rate Notes due 2021			
Mr Pua Seck Guan	2,000,000	2,000,000	–	–

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.

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

	Direct interest		Deemed interest	
Name of Director	At the beginning of financial year/date of appointment	At the end of financial year	At the beginning of financial year/date of appointment	At the end of financial year
Subsidiary		**Ordinary Stock Units**		
WBL Corporation Limited				
Mr Zhong Sheng Jian[2]	–	–	28,120,063	28,120,063

Note:
[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 2018.

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 of the financial year, or date of appointment if later, or at the end of the financial year.

SHARE OPTIONS

By the Company

United Engineers Share Option Scheme 2000 ("Scheme 2000")

The United Engineers Share Option Scheme 2000 was approved by the members of the Company at an Extraordinary General Meeting held on 21 June 2000. The duration of Scheme 2000 is for 10 financial years commencing from financial year 2000. Scheme 2000 incorporated features designed to enhance the efficacy of share options as incentive tools, and to reinforce the use of a share option scheme as a means to encourage long-term staff retention. Scheme 2000 expired in financial year 2009.

Movement in the number of options under Scheme 2000 during the financial year was as follows:

Date of grant	Exercise period	Exercise price	Balance as at 01.01.2017	No. of share options exercised	No. of share options forfeited	Balance as at 31.12.2017
6.12.2007	6.12.2008 to 5.12.2017	$3.31	321,365	–	321,365	–
20.5.2009	20.5.2010 to 19.5.2019	$1.36	67,937	67,937	–	–
			389,302	67,937	321,365	–

There were no share options granted under Scheme 2000 to the directors and employees of the Company and its subsidiaries for the financial year ended 31 December 2017, and the aggregate number of share options granted under Scheme 2000 to the directors and employees of the Company and its subsidiaries since the commencement of Scheme 2000 in financial year 2000 (including adjustments made to the number of outstanding (unexercised) options as at 18 September 2013) to the end of the financial year ended 31 December 2017 was 21,157,201.

SHARE OPTIONS *(continued)*

By the Company *(continued)*

United Engineers Share Option Scheme 2000 ("Scheme 2000") *(continued)*

Non-Executive Directors, and controlling shareholders of the Company and their associates are not eligible to participate in Scheme 2000. There were no share options granted under Scheme 2000 to Executive Directors during the financial year ended 31 December 2017. No participant has received 5% or more of the total number of share options available under Scheme 2000 during the financial year ended 31 December 2017, and since the commencement of Scheme 2000 in financial year 2000 to the end of the financial year ended 31 December 2017. No share options were granted at a discount since the commencement of Scheme 2000.

The share options granted by the Company under Scheme 2000 do not entitle the holders of the share options, by virtue of such share options, any right to participate in any share issue of any other company. The exercise price in respect of which a share option is exercisable shall be equal to the average of the last dealt price for a stock unit of the Company for the three (3) consecutive days immediately preceding the date of grant of that share option.

As at 31 December 2017, there were no outstanding share options in respect of unissued stock units of the Company.

By a subsidiary

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.

During the financial year, no options were granted pursuant to the PSPL Scheme and as at 31 December 2017, there were no outstanding share options in respect of unissued shares of PSPL.

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 2018 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 2017.

DIRECTORS' STATEMENT

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

16 March 2018
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 2017, 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 Financial Reporting Standards in Singapore (FRSs) 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 2017 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.

Adequacy of provision for rental top up

As at 31 December 2017, the Group recognised provision for rental top up amounting to $45 million. The provision for rental top up relates to rental income support for the business park, retail and hotel components of UE BizHub East, which is equivalent to the differences between the agreed amount and the net property income. Due to the amount of the provision recognised, the significant judgement applied in determining the provision, and the uncertain market outlook, we considered this matter to be a key audit matter.

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 and current information available to compute the net property income) by comparing them against historical rates and available industry data, taking into consideration comparability and market factors. We have also assessed the reasonableness of the rental value used in the cash flows projection by comparing to supporting leases. We further evaluated the presentation and adequacy of Note 28 on the provision. Based on the work performed, we considered the assumptions used by management to be appropriate.

Key Audit Matters *(continued)*

Fair value of investment properties
As at 31 December 2017, investment properties of the Group amounted to $1,909 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. Amongst others, 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 limitation in the scope of work or matters that might affect the objectivity of the external valuation specialists.

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 to historical rate 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 on their valuation methodology and techniques used. We further assessed the appropriateness of Note 13 and 37 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 2017, development properties held for sale of the Group amounted to $557 million. During the year, the Group also wrote down certain development properties held for sale by $10 million. As such, the determination of the net realisable value of development properties held for sale is significant to our audit due to their magnitude and highly dependent on a range of estimates (amongst others, estimated selling price and expected construction costs of the projects) made by management as well as the external valuation specialists used. 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 net realisable value of the development properties held for sale annually. Amongst others, 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 limitation in the scope of work or matters that might affect the objectivity of the external valuation specialists.

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 estimated selling price by comparing 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. We further evaluated the presentation and adequacy of Note 23 on the development properties held for sale. Based on our independent assessment, we considered the methodology and 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 FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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 Yee Woon Yim.

ERNST & YOUNG LLP
Public Accountants and
Chartered Accountants
Singapore

16 March 2018

CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	GROUP 2017 $000	GROUP 2016 $000
__Continuing operations__			
Revenue	4	**539,359**	479,701
Cost of sales		**(341,603)**	(285,953)
Gross profit		**197,756**	193,748
Other items of income			
Interest income	5	**3,103**	2,587
Other income	6	**70,190**	25,864
Other items of expense			
Distribution costs		**(30,697)**	(29,650)
Administrative expenses		**(99,038)**	(100,664)
Finance costs	7	**(21,162)**	(35,744)
Other expenses		**(16,700)**	(29,518)
Share of profit from equity-accounted associates		**3,615**	5,386
Share of loss from equity-accounted joint ventures		**(1,719)**	(2,496)
Profit before tax from continuing operations	8	**105,348**	29,513
Income tax expense	9	**(19,508)**	(8,773)
Profit from continuing operations, net of tax		**85,840**	20,740
__Discontinued operations__			
Profit from discontinued operations, net of tax	10	**–**	156,843
Profit net of tax		**85,840**	177,583
Profit/(loss) attributable to:			
Owners of the Company			
– Continuing operations, net of tax		**89,573**	27,381
– Discontinued operations, net of tax		**–**	113,200
		89,573	140,581
Non-controlling interests			
– Continuing operations, net of tax		**(3,733)**	(6,641)
– Discontinued operations, net of tax		**–**	43,643
		(3,733)	37,002
Earnings per stock unit - continuing operations attributable to owners of the Company (cents)			
Basic	11(a)	**14.0**	4.3
Diluted	11(a)	**14.0**	4.3
Earnings per stock unit (cents)			
Basic	11(b)	**14.0**	22.0
Diluted	11(b)	**14.0**	22.0

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 2017

	GROUP	
	2017	**2016**
	$000	**$000**
Profit net of tax	**85,840**	177,583
Other comprehensive income		
Items that will not be reclassified to income statement:		
Remeasurements of defined benefit pension plans	**5,592**	(3,658)
Income tax relating to components of other comprehensive income	**(951)**	658
	4,641	(3,000)
Items that may be reclassified subsequently to income statement:		
Losses on exchange differences on translation, net of tax	**(9,739)**	(52,376)
Gains on remeasuring available-for-sale financial assets, net of tax	**5,399**	1,389
Realisation of reserves to income statement on disposal of subsidiaries, net of tax	**–**	(8,929)
Share of other comprehensive income from equity-accounted associates, net of tax	**421**	(1,178)
	(3,919)	(61,094)
Other comprehensive income, net of tax	**722**	(64,094)
Total comprehensive income	**86,562**	113,489
Attributable to:		
Owners of the Company	**92,211**	103,572
Non-controlling interests	**(5,649)**	9,917
Total comprehensive income for the year	**86,562**	113,489
Attributable to:		
Owners of the Company		
Total comprehensive income from continuing operations, net of tax	**92,211**	2,297
Total comprehensive income from discontinued operations, net of tax	**–**	101,275
Total comprehensive income for the year attributable to owners of the Company	**92,211**	103,572

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	GROUP 2017 $000	GROUP 2016 $000	COMPANY 2017 $000	COMPANY 2016 $000
ASSETS					
Non-current assets					
Property, plant and equipment	12	**148,277**	162,909	**22,094**	22,735
Investment properties	13	**1,908,627**	1,859,418	**722,400**	679,500
Intangible assets	14	**–**	4,704	**–**	–
Interests in subsidiaries	15	**–**	–	**968,731**	1,005,749
Interests in associates	16	**114,944**	112,619	**325**	337
Interests in joint ventures	17	**47,938**	45,478	**–**	–
Deferred tax assets	18	**29,263**	46,162	**–**	–
Other investments	19	**30,375**	25,069	**1,197**	1,130
Total non-current assets		**2,279,424**	2,256,359	**1,714,747**	1,709,451
Current assets					
Inventories	20	**27,163**	31,146	**–**	–
Income tax receivables		**346**	352	**–**	–
Trade and other receivables	21	**77,373**	217,492	**2,640**	4,259
Gross amount due from customers for contract work	22	**13,565**	13,466	**–**	–
Prepayments		**8,929**	8,131	**867**	1,538
Properties held for sale	23	**557,247**	654,315	**–**	–
Bank balances and deposits	24	**384,711**	623,976	**117,919**	420,959
Total current assets		**1,069,334**	1,548,878	**121,426**	426,756
Total assets		**3,348,758**	3,805,237	**1,836,173**	2,136,207
EQUITY AND LIABILITIES					
Equity					
Share capital	25(a)	**808,030**	807,938	**808,030**	807,938
Treasury shares	25(b)	**(62,313)**	(62,313)	**–**	–
Retained earnings		**1,190,312**	1,167,482	**785,789**	802,687
Other reserves	26	**(34,595)**	(30,100)	**(33)**	3,981
Equity attributable to owners of the Company		**1,901,434**	1,883,007	**1,593,786**	1,614,606
Non-controlling interests		**306,136**	311,885	**–**	–
Total equity		**2,207,570**	2,194,892	**1,593,786**	1,614,606
Non-current liabilities					
Provisions	28	**46,779**	70,204	**–**	–
Deferred tax liabilities	18	**56,986**	75,188	**–**	–
Trade and other payables	29	**3,616**	4,300	**–**	–
Borrowings	27	**746,109**	896,720	**150,000**	150,000
Total non-current liabilities		**853,490**	1,046,412	**150,000**	150,000
Current liabilities					
Provisions	28	**12,967**	17,005	**–**	–
Income tax payable		**43,079**	31,679	**4,635**	4,303
Trade and other payables	29	**142,935**	218,839	**84,052**	117,275
Borrowings	27	**84,912**	294,728	**3,700**	250,023
Gross amount due to customers for contract work	22	**3,805**	1,682	**–**	–
Total current liabilities		**287,698**	563,933	**92,387**	371,601
Total liabilities		**1,141,188**	1,610,345	**242,387**	521,601
Total equity and liabilities		**3,348,758**	3,805,237	**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 2017

GROUP

	Total equity $000	Attributable to owners of the Company: Equity attributable to owners of the Company $000	Share capital (Note 25(a)) $000	Treasury shares (Note 25(b)) $000	Retained earnings $000	Other reserves (Note 26) $000	Non-controlling interests $000
Opening balance at 01/01/2017	2,194,892	1,883,007	807,938	(62,313)	1,167,482	(30,100)	311,885
Profit for the year	85,840	89,573	–	–	89,573	–	(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, net of tax	5,399	5,399	–	–	–	5,399	–
Losses on exchange differences on translation, net of tax	(9,739)	(6,319)	–	–	–	(6,319)	(3,420)
Share of other comprehensive income from equity-accounted associates, net of tax	421	421	–	–	–	421	–
Other comprehensive income for the year	722	2,638	–	–	3,137	(499)	(1,916)
Total comprehensive income for the year	86,562	92,211	–	–	92,710	(499)	(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 30)	(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)	1,190,312	(34,595)	306,136

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

GROUP

	Total equity $000	Attributable to owners of the Company: Equity attributable to owners of the Company $000	Share capital (Note 25(a)) $000	Treasury shares (Note 25(b)) $000	Retained earnings $000	Other reserves (Note 26) $000	Non-controlling interests $000
Opening balance at 01/01/2016	2,387,467	1,830,603	807,519	(62,313)	1,078,829	6,568	556,864
Profit for the year	177,583	140,581	–	–	140,581	–	37,002
Remeasurements of defined benefit pension plans	(3,658)	(2,473)	–	–	(2,473)	–	(1,185)
Income tax relating to components of other comprehensive income	658	445	–	–	445	–	213
Gains on remeasuring available-for-sale financial assets, net of tax	1,389	1,389	–	–	–	1,389	–
Losses on exchange differences on translation, net of tax	(52,376)	(26,263)	–	–	–	(26,263)	(26,113)
Realisation of reserves to income statement on disposal of subsidiaries, net of tax	(8,929)	(8,929)	–	–	–	(8,929)	–
Share of other comprehensive income from equity-accounted associates, net of tax	(1,178)	(1,178)	–	–	–	(1,178)	–
Other comprehensive income for the year	(64,094)	(37,009)	–	–	(2,028)	(34,981)	(27,085)
Total comprehensive income for the year	113,489	103,572	–	–	138,553	(34,981)	9,917
Contributions by and distributions to owners							
Cash distribution paid to non-controlling interests	(12,586)	–	–	–	–	–	(12,586)
Ordinary shares issued on exercise of share options converted into ordinary stocks	419	419	419	–	–	–	–
Dividends paid (Note 30)	(49,311)	(49,311)	–	–	(49,311)	–	–
Dividends paid to non-controlling interests	(91,637)	–	–	–	–	–	(91,637)
Total contributions by and distributions to owners	(153,115)	(48,892)	419	–	(49,311)	–	(104,223)
Changes in ownership interests in subsidiaries							
Additional interests in subsidiaries	(2,903)	1,260	–	–	–	1,260	(4,163)
Dilution of interests in subsidiaries	(66)	(4,942)	–	–	–	(4,942)	4,876
Total changes in ownership interests in subsidiaries	(2,969)	(3,682)	–	–	–	(3,682)	713
Total transactions with owners in their capacity as owners	(156,084)	(52,574)	419	–	(49,311)	(3,682)	(103,510)
Others							
Disposal of interests in subsidiaries and associates	(152,592)	–	–	–	–	–	(152,592)
Employee share option scheme/share appreciation rights:							
– value of employee services	2,612	1,406	–	–	–	1,406	1,206
Reclassification of reserves to retained earnings upon disposal of interests in subsidiaries	–	–	–	–	(589)	589	–
Total others	(149,980)	1,406	–	–	(589)	1,995	(151,386)
Closing balance at 31/12/2016	2,194,892	1,883,007	807,938	(62,313)	1,167,482	(30,100)	311,885

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

COMPANY

	Total equity $000	Share capital (Note 25(a)) $000	Retained earnings $000	Other reserves (Note 26) $000
Opening balance at 01/01/2017	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 30)	(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)
Opening balance at 01/01/2016	1,596,542	807,519	785,094	3,929
Profit for the year	68,641	–	68,641	–
Gains on remeasuring available-for-sale financial assets, net of tax	52	–	–	52
Other comprehensive income for the year	52	–	–	52
Total comprehensive income for the year	68,693	–	68,641	52
Contributions by and distributions to owners				
Ordinary shares issued on exercise of share options converted into ordinary stocks	419	419	–	–
Dividends paid (Note 30)	(51,048)	–	(51,048)	–
Total transactions with owners in their capacity as owners	(50,629)	419	(51,048)	–
Closing balance at 31/12/2016	1,614,606	807,938	802,687	3,981

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 2017

	GROUP	
	2017 $000	2016 $000
Cash flows from operating activities		
Profit before tax from continuing operations	**105,348**	29,513
Profit before tax from discontinued operations	**–**	175,744
Profit before tax	**105,348**	205,257
Amortisation of intangible assets	**2,015**	2,074
Depreciation of property, plant and equipment	**16,410**	44,588
Dividend income from other investments	**(1,657)**	(1,936)
Finance costs	**21,162**	36,430
Gain on disposal of available-for-sale financial assets	**–**	(4,001)
Gain on disposal of property, plant and equipment	**(18)**	(481)
Impairment loss on available-for-sale financial assets	**–**	21
Impairment loss on intangible assets	**73**	–
Interest income	**(3,103)**	(4,044)
Inventories written-back	**(242)**	(356)
Net gain on disposal/liquidation of business unit, subsidiaries and associates	**(1,581)**	(199,064)
Properties held for sale written-down	**9,671**	15,957
Property, plant and equipment written-off	**139**	221
Provision for development charge written-back	**–**	(5,000)
Provision for rental top-up written–back	**(16,849)**	(1,338)
Share-based compensation expenses	**–**	2,703
Share of profit from equity-accounted associates and joint ventures	**(1,896)**	(3,673)
(Surplus)/deficit on revaluation of investment properties	**(44,365)**	6,194
Unrealised exchange loss/(gain)	**325**	(4,106)
Operating cash flows before changes in working capital	**85,432**	89,446
Decrease/(increase) in properties held for sale	**80,130**	(55,566)
Proceeds from progress billings from properties held for sale	**31,397**	438,283
Decrease in inventories	**2,870**	21,505
Decrease in trade and other payables and provisions	**(106,872)**	(84,714)
Decrease/(increase) in trade and other receivables	**140,160**	(94,214)
Increase/(decrease) in gross amount due to customers for contract work	**2,123**	(682)
(Increase)/decrease in gross amount due from customers for contract work	**(99)**	17,349
Cash flows from operations	**235,141**	331,407
Income taxes paid	**(10,738)**	(21,321)
Interest paid	**(25,320)**	(38,438)
Interest received	**3,631**	4,115
Net cash flows from operating activities	**202,714**	275,763

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	GROUP	
	2017 $000	2016 $000
Cash flows from investing activities		
Acquisition of intangible assets	**(2,648)**	(1,979)
Acquisition of interests in an associate	**(331)**	–
Acquisition of non-controlling interests	**–**	(2,903)
Change in restricted deposits	**–**	62,548
Disposal and liquidation of a business unit and subsidiaries, net of cash disposed of	**11,730**	234,741
Dividends received from associates	**1,928**	237
Dividends received from joint ventures	**–**	150
Dividends received from other investments	**1,657**	1,936
(Increase)/decrease in amounts due from associates and joint ventures	**(4,494)**	4,567
Proceeds from disposal of available-for-sale financial assets	**–**	4,129
Proceeds from disposal of property, plant and equipment	**439**	1,356
Purchase of property, plant and equipment	**(11,411)**	(41,189)
Properties development expenditure	**(4,899)**	(8,185)
Net cash flows (used in)/from investing activities	**(8,029)**	255,408
Cash flows from financing activities		
Cash distribution paid to non-controlling interests of subsidiaries	**(206)**	(12,586)
Distribution to shareholders from joint ventures	**–**	2,415
Dividends paid	**(73,961)**	(49,311)
Dividends paid to non-controlling interests of subsidiaries	**(138)**	(91,637)
Decrease in short-term loans	**(15,471)**	(69,484)
(Decrease)/increase in trust receipts and bills payable	**(3,021)**	1,013
Proceeds from issuance of shares upon exercise of share options	**92**	419
Proceeds from issuance of medium term notes	**–**	150,000
Proceeds from long-term loans	**471,886**	51,833
Repayment of medium term notes	**(246,772)**	–
Repayment of long-term loans	**(565,804)**	(355,857)
Net cash flows used in financing activities	**(433,395)**	(373,195)
Net (decrease)/increase in cash and cash equivalents	**(238,710)**	157,976
Cash and cash equivalents, beginning balance	**623,976**	481,579
Effect of exchange rate changes on cash and cash equivalents	**(555)**	(15,579)
Cash and cash equivalents, ending balance	**384,711**	623,976

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

	GROUP	
	2017	**2016**
	$000	**$000**
Property, plant and equipment	**7,270**	178,779
Intangible assets	**5,265**	23,558
Interests in associates	**–**	16,345
Deferred tax assets	**–**	12,962
Inventories	**1,328**	57,853
Trade and other receivables	**8,884**	111,423
Gross amount due from customers for contract work	**–**	11,610
Bank balances and deposits	**2,825**	288,210
Deferred tax liabilities	**–**	(227)
Income tax payables	**–**	(10,635)
Trade and other payables	**(3,351)**	(174,652)
Borrowings	**–**	(29,818)
Net assets disposed/liquidated	**22,221**	485,408
Foreign currency translation reserve realised	**(268)**	(8,929)
Less: Non-controlling interests	**244**	(152,592)
Net gain on disposals/liquidation	**1,581**	199,064
Total consideration	**23,778**	522,951
Less: Outstanding consideration	**(4,584)**	–
Less: Settlement with inter-company balances	**(4,639)**	–
Cash and cash equivalents disposed of/liquidated	**(2,825)**	(288,210)
Net cash inflow arising from disposal/liquidation	**11,730**	234,741

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 15 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 (FRS).

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.

Convergence with International Financial Reporting Standards

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

On transition to the new financial reporting framework, the Group expects to elect the option to deem cumulative translation differences for foreign operations to be zero on 1 January 2017, and accordingly, the gain or loss that will be recognised on a subsequent disposal of the foreign operations will exclude cumulative translation differences that arose before 1 January 2017. The Group expects to reclassify an amount of approximately $31 million of foreign currency translation reserve to the opening retained earnings as at 1 January 2017.

The Group has performed an assessment of the impact of adopting SFRS(I). Other than the effects of the matter as described above and the impact on adoption of the SFRS(I) 15 and SFRS(I) 9, the Group expects that adoption of SFRS(I) will have no material impact on the financial statements in the year of initial application. The Group expects the impact of adopting SFRS(I) 15 and SFRS(I) 9 will be similar to the impact on adoption of FRS 115 and FRS 109 as disclosed in Note 2.3.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2017. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

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)
Amendments to FRS 102 Classification and Measurement of Share-based Payments Transactions	1 January 2018
Amendments to FRS 40 Transfers of Investment Property	1 January 2018
FRS 109 Financial Instruments	1 January 2018
FRS 115 Revenue from Contracts with Customers	1 January 2018
Improvements to FRSs (December 2016)	
– Amendments to FRS 28 Investments in Associates and Joint Ventures	1 January 2018
INT FRS 122 Foreign Currency Transactions and Advance Consideration	1 January 2018
INT FRS 123 Uncertainty over Income Tax Treatments	1 January 2019
FRS 116 Leases	1 January 2019
Amendments to FRS 109 Prepayment Features with Negative Compensation	1 January 2019
Amendments to FRS 28 Long-term interests in Associates and Joint Ventures	1 January 2019
Improvements to FRSs (March 2018)	
– Amendments to FRS 103 Business Combinations	1 January 2019
– Amendments to FRS 111 Joint Arrangements	1 January 2019
– Amendments to FRS 12 Income Taxes	1 January 2019
– Amendments to FRS 23 Borrowing Costs	1 January 2019
Amendments to FRS 110 and FRS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Date to be determined

Upon adoption of SFRS(I) on 1 January 2018, the SFRS(I) equivalent of the above standards that are effective on 1 January 2018 will be adopted at the same time.

Except for SFRS(I) 9, SFRS(I) 15 and SFRS(I) 16, the directors expect that the adoption of the SFRS(I) equivalent of the above standards 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) equivalent to FRS 109, FRS 115 and FRS 116 are described below.

<u>FRS 109 Financial Instruments</u>
FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model.

The Group plans to adopt the new standard on the required effective date without restating prior periods' information and recognises any differences between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

For equity securities, the Group will continue to measure its currently available-for-sale equity securities at fair value through other comprehensive income. The Group does not expect any significant impact arising from the change.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

FRS 109 Financial Instruments *(continued)*
The Group expects to apply the simplified approach and record lifetime expected losses on trade receivables and does not expect a significant change to the classification and measurement basis arising from adopting the new classification and measurement model under FRS 109.

FRS 115 Revenue from Contracts with Customers
FRS 115 establishes a five-step model to account for revenue arising from contracts with customers, and introduces new contract cost guidance. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard is effective for annual periods beginning on or after 1 January 2018.

The Group has performed a preliminary impact assessment of adopting FRS 115 based on currently available information. This assessment may be subject to changes arising from ongoing analysis until the Group adopts FRS 115 in 2018.

The Group plans to apply the changes in accounting policies retrospectively to each reporting year presented, using the full retrospective approach. The Group also plans to apply the following practical expedients:

- For completed contracts, the Group plans not to restate completed contracts that begin and end within the same year or are completed contracts at 1 January 2017, and

- For completed contracts that have variable consideration, the Group plans to use the transaction price at the date the contract was completed instead of estimating variable consideration amounts in the comparative year.

The Group expects the following impact upon adoption of FRS 115:

Variable consideration
Some contracts with customers provide trade discounts or volume rebates. Currently, the Group recognises revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates. Such provisions give rise to variable consideration under FRS 115. Under FRS 115, variable consideration is estimated and is constrained to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the associate uncertainty is subsequently resolved.

On the adoption of FRS 115, the Group expects a reduction in revenue with a corresponding increase in contract liability for the financial year ended 31 December 2017, but does not expect the impact to be material to the Group.

Significant financing component
There could be deemed financing component arising from the sale of development properties arising from the sale of development projects in China due to cash received in advance from the buyer prior to the handing over of the units. Any deemed interest cost would be capitalised as part of the development costs and recognised as cost of sales when the units are handed over to the buyers.

On the adoption of FRS 115, the Group expects to record an adjustment to increase the properties held for sale and corresponding adjustment to contract liability for the financial year ended 31 December 2017. In addition, the Group expects to record an adjustment to increase its revenue with related adjustment to cost of sales.

FRS 116 Leases
FRS 116 requires lessees to recognise most leases on statements of financial position to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short term leases. The new standard is effective for annual periods beginning on or after 1 January 2019.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

FRS 116 Leases
The Group is currently assessing the impact of the new standard and plans to adopt the new standard on the required effective date.

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.

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 in accordance with FRS 39 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

Business combinations *(continued)*
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. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

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. The accounting policy for goodwill is set out in Note 2.12(a). 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.

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 recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The following specific revenue criteria must also be met before revenue is recognised:

Sale of goods
Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Revenue recognition *(continued)*

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.

Contract revenue
Revenue from construction contracts is recognised on the percentage of completion method. Further details can be found in Note 2.18.

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

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

Where development property is under construction and agreement has been reached to sell such property when construction is complete, the directors consider whether the contract comprises:
– A contract to construct a property; or
– A contract for the sale of completed property.

a) Where a contract is judged to be for the construction of a property, revenue is recognised using the percentage of completion method as construction progresses.

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

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

    ii) In Singapore context, INT FRS 115 includes an accompanying note on application of INT FRS 115 in Singapore which requires the percentage of completion method of revenue recognition to be applied to sale of private residential properties in Singapore prior to completion of the properties that are regulated under the Singapore Housing Developers (Control and Licensing) Act (Chapter 130) and uses the standard form of sale and purchase agreements (SPAs) prescribed in the Housing Developers Rules.

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

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
The Company also operates 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 are exercised, the proceeds received net of any transaction costs are 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 date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest. The charge or credit to 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.7 Employee benefits *(continued)*

Equity compensation benefits *(continued)*
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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.9 Income taxes *(continued)*

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 2.25. 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.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 FRS 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.

2.12 Intangibles

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

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the income statement. Impairment losses recognised for goodwill are not reversed in subsequent periods.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.12 Intangibles *(continued)*

a) *Goodwill (continued)*

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2.8.

Goodwill and fair value adjustments which arose on acquisitions of foreign operations before 1 January 2005 are deemed to be assets and liabilities of the Company and are recorded in SGD at the rates prevailing at the date of acquisition.

b) *Other intangible assets*

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, they are carried at cost less any accumulated amortisation and any accumulated impairment losses.

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

Intangible assets with finite useful lives are amortised over their estimated useful lives. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are tested for impairment annually. Such intangible assets are not amortised.

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

(i) *Concession rights*

The Group recognises an intangible asset arising from a service concession arrangement when it has a right to charge for usage of the concession infrastructure whether acquired or self-constructed by the Group. Intangible assets received as consideration for providing construction services in a service concession arrangement are measured at fair value upon initial recognition, estimated by reference to the fair value of the construction services provided. When the Group receives an intangible asset and a financial asset as consideration for providing construction services in a service concession arrangement, the Group estimates the fair value of intangible assets as the difference between the fair value of the construction services provided and the fair value of the financial asset received.

The estimated useful life of an intangible asset in a service concession arrangement is the period when it is available for use to the end of the concession period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.12 Intangibles *(continued)*

b) *Other intangible assets (continued)*

(ii) *Distributorship and dealership rights*
The distributorship and dealership rights acquired in business combinations are carried at fair values at the date of acquisition, and amortised over a straight-line basis over the period of the expected benefits, which is estimated at 15 to 20 years.

(iii) *Development cost and technical know-how*
Development costs are recognised in the income statement as and when incurred except for development costs which will probably generate future economic benefits. Such development costs are recognised as intangible assets. These intangibles are stated at cost less accumulated amortisation and accumulated impairment losses. These are amortised to the income statement on a straight-line basis over a period of 5 to 10 years or their estimated useful lives whichever is shorter. Technical know-how acquired in business combination is carried at fair values at the date of acquisition.

(iv) *Customer relationships*
Customer relationships acquired in business combinations are carried at fair values at the date of acquisition, and amortised over a straight-line basis over the period of the expected benefits, which is estimated at 5 to 9 years.

(v) *Others*
This comprises the licence fees for trademark, software and marketing rights which are amortised on a straight-line basis over the respective licence periods/economic useful life.

The amortisation period and amortisation method of intangible assets other than goodwill are reviewed at the end of each reporting period. The effects of any revision are recognised in the income statement when the changes arise.

2.13 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

Associate (continued)
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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

Joint venture (continued)
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 loans and receivables under FRS 39. The accounting policy for this category of financial asset is stated in Note 2.15.

2.14 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 condition 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.

2.15 Financial assets

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

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

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

a) *Financial assets at fair value through profit or loss*
Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group not designated as hedging instruments in hedge relationships as defined by FRS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.15 Financial assets *(continued)*

Subsequent measurement (continued)

a) *Financial assets at fair value through profit or loss (continued)*
Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets (including exchange differences, interest and dividend income) are recognised in the income statement.

b) *Held-to-maturity investments*
Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity. Investments intended to be held for an undefined period are not included in this classification. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in the income statement when the held-to-maturity investments are derecognised or impaired, as well as through the amortisation process.

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

d) *Available-for-sale financial assets*
Available-for-sale financial assets are financial assets that are not classified in any of the three preceding categories. After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in 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 derecognised.

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

Derecognition
A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On 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 is recognised in the income statement.

Regular way purchase or sale of a financial asset
All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

2.16 Impairment of financial assets

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.16 Impairment of financial assets *(continued)*

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

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

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

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

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

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

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from other comprehensive income and recognised in the income statement. Reversals of impairment losses in respect of equity instruments classified as available-for-sale are recognised in other comprehensive income. Reversals of impairment losses on debt instruments are recognised in the income statement, if the increase in fair value of the debt instrument can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

2.17 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.17 Impairment of non-financial assets *(continued)*

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

2.18 Construction contracts

Contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period, when the outcome of a construction contract can be estimated reliably. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable and contract costs are recognised as expense in the period in which they are incurred. An expected loss on the construction contract is recognised as an expense immediately when it is probable that total contract costs will exceed total contract revenue.

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

Contract costs include costs that relate directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract.

Revenue arising from fixed price contracts is recognised in accordance with the percentage of completion method. The stage of completion is measured by reference to the ratio of the contract costs incurred to-date to the estimated total costs for the contract.

Revenue from cost plus contracts is recognised by reference to the recoverable costs incurred plus a percentage of the contract fee earned during the year. Percentage of the contract fee earned is measured by the proportion that the costs incurred to-date bear to the estimated total costs of the contract. Only costs that reflect services performed are included in the estimated total costs of the contract. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.19 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.

2.20 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)*

2.21 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.

2.22 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. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.23 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.

2.24 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of INT FRS 104.

<u>As lessor</u>
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.

<u>As lessee</u>
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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.25 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.

2.26 Derivative financial instruments

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. 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 35.

2.27 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.

2.28 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.29 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.

2.30 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 39.

2.31 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.

2.32 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.

2.33 Non-current assets and disposal group held for sale and discontinued operations

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. A component of the Group is classified as a discontinued operation when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations.

In the income statement of the previous year, all income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the income statement.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

2.34 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 2017 are $43,079,000 (2016: $31,679,000), $56,986,000 (2016: $75,188,000) and $29,263,000 (2016: $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 FRS 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 2017 is $148,277,000 (2016: $162,909,000).

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 2017 is $38,450,000 (2016: $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 less than 1% (2016: approximately 1%) variance in the Group's profit before tax from continuing operations for the financial year.

Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables with impairment indicators at the end of the reporting period is disclosed in Note 21 to the financial statements. If the present value of estimated future cash flows of receivables that are past due but not impaired and those that are impaired, varies by 5% from management's estimates, the Group's allowance for impairment will increase by $670,000 (2016: $826,000).

3 SUMMARY OF SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

3.2 Key sources of estimation uncertainty *(continued)*

Construction contracts
The Group recognises contract revenue by reference to the stage of completion of the contract activity at the end of each reporting period, when the outcome of a construction contract can be estimated reliably. The stage of completion is measured by reference to the proportion that contract costs incurred for work performed to-date to the estimated total contract costs.

Significant judgement is required in determining the stage of completion, the extent of the contract costs incurred, the estimated total contract revenue and contract costs and liquidated damage claims as well as the recoverability of the contract costs incurred.

– Total contract revenue also includes an estimation of the uncertified recoverable variation works that are recoverable from the customers which amounted to $3,051,000 (2016: $3,218,000). In arriving at this estimation, the Group evaluates by relying on past experience and knowledge of the project engineers and/or the work of specialists.

– An estimation of prolongation claims amounting to $6,206,000 (2016: $1,386,000) was taken into consideration in arriving at the estimated loss of the construction contracts. Any shortfall in recovery of this estimation will impact the results of the Group by the same quantum. The Group has assessed that it is not liable for liquidated damages arising from the delay in the completion of the contract.

The carrying amounts of assets and liabilities arising from construction contracts at the end of each reporting period are disclosed in Note 22 to the financial statements.

Provision for rental top-up
The Group recognises a provision for rental top-up in connection with *UE BizHub EAST* as disclosed in Note 28. 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 net operating expenses. These estimates are based on present obligations under the contract and local market conditions existing at the end of each reporting date. 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 $2,237,000 (2016: $3,610,000) higher.

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 property
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 2017. 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 date.

The key methodology used for valuing investment property is set out in Note 13.

4 REVENUE

	GROUP	
	2017 **$000**	**2016** **$000**
Sale of goods	**216,402**	235,465
Sale of properties held for sale (recognised on percentage of completion basis)	**24,850**	50,594
Sale of properties held for sale (recognised on completed contract basis)	**118,392**	18,999
Rental income	**130,034**	132,441
Contract revenue	**46,374**	38,982
Dividend income	**1,657**	1,936
Rendering of services	**1,650**	1,284
	539,359	479,701

5 INTEREST INCOME

Interest income from loans and receivables	**3,103**	2,587

6 OTHER INCOME

Other income includes the following items:

Compensation and insurance claims	**–**	5,243
Gain on disposal of available-for-sale financial assets	**–**	4,001
Gain on disposal of a business unit	**1,677**	–
Gain on disposal of property, plant and equipment	**18**	34
Net foreign exchange gains	**–**	281
Net surplus on revaluation of investment properties (Note 13)	**44,365**	–
Write-back of provision for development charge (Note 28)	**–**	5,000
Write-back of provision for rental top-up (Note 28)	**16,849**	1,338

7 FINANCE COSTS

Interest expense on:		
– Bank loans and bank overdrafts	**24,332**	38,554
Less: Interest expense capitalised in:		
– Properties held for sale (Note 23)	**(3,170)**	(2,810)
Total finance costs	**21,162**	35,744

8 PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

	GROUP	
	2017	**2016**
	$000	**$000**
Profit before tax from continuing operations is stated after including the following expenses by nature:		
Amortisation of intangible assets (Note 14)	**(2,015)**	(1,515)
Depreciation of property, plant and equipment (Note 12)	**(16,410)**	(17,384)
Direct operating expenses arising from investment properties (Note 13)	**(33,133)**	(29,008)
Impairment loss on financial assets:		
– Trade receivables (Note 21)	**(1,279)**	(4,089)
– Other receivables (Note 21)	**–**	(1,587)
Impairment loss on intangible assets (Note 14)	**(73)**	–
Inventories recognised as an expense in cost of sales	**(113,819)**	(115,106)
Loss on disposal/liquidation of subsidiaries	**(96)**	(333)
Net deficit on revaluation of investment properties (Note 13)	**–**	(6,194)
Net foreign exchange loss	**(373)**	–
Inventories written-down	**(628)**	(909)
Reversal of written-down of inventories (Note 20)	**870**	307
Properties held for sale written-down (Note 23)	**(9,671)**	(15,957)
Staff costs (including director's remuneration)		
– Salaries, wages, bonuses and other costs	**(89,884)**	(95,626)
– Central Provident Fund and other defined contribution plans	**(8,612)**	(8,986)
Audit fees:		
– Auditor of the Company	**(896)**	(569)
– Other auditors	**(414)**	(500)
Non-audit fees:		
– Auditor of the Company	**(162)**	(184)
– Other auditors	**(225)**	(408)
Total audit and non-audit fees	**(1,697)**	(1,661)

9 INCOME TAX EXPENSE

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

	GROUP	
	2017	**2016**
	$000	**$000**
Income Statement		
Current income tax – continuing operations:		
– Current income taxation	**18,958**	13,196
– Under/(over) provision in respect of prior years	**3,215**	(1,649)
	22,173	11,547
Deferred tax – continuing operations:		
– Origination and reversal of temporary differences	**(2,665)**	(2,774)
Income tax attributable to continuing operations	**19,508**	8,773
Income tax attributable to discontinued operations (Note 10)	**–**	18,901
Income tax expense recognised in the income statement	**19,508**	27,674

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	
	2017	**2016**
	%	**%**
Applicable tax rate	**17.0**	17.0
Adjustments:		
Expenses not deductible for tax purposes	**8.5**	12.0
Income not subject to tax	**(12.6)**	(19.1)
Utilisation of previously unrecognised deferred tax assets	**(0.6)**	(0.5)
Utilisation of tax losses/capital allowances under group relief	**(0.2)**	(0.4)
Losses of subsidiaries not utilised and not available under group relief	**3.2**	6.5
Under/(over) provision of income tax in respect of prior years	**3.3**	(0.6)
Effect of change in tax rates	**0.2**	–
Effect of differences in tax rates in other countries where the Group operates	**–#**	(1.1)
Share of profit from equity-accounted associates and joint ventures	**(0.3)**	(0.3)
Effective tax rate	**18.5**	13.5

Tax losses of $744,000 (2016: $1,390,000) 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 30).

Represents amount less than 0.1%.

10 DISCONTINUED OPERATIONS

2016

At an Extraordinary General Meeting held on 8 June 2016, the shareholders of the Company approved the proposed disposal of Multi-Fineline Electronix, Inc. ("MFLEX") and its subsidiaries (collectively known as "MFLEX Group") to Suzhou Dongshan Precision Manufacturing Co., Ltd. (the "Proposed Transaction"). On 27 July 2016, the Group announced the completion of the Proposed Transaction and MFLEX Group had thereafter ceased to be subsidiaries of the Company.

On 13 May 2016, the Company announced that it and its wholly owned subsidiary, UE UMC Pte. Ltd. had entered into agreements with Giant Maze Limited in relation to the sale of UES Holdings Pte. Ltd., its subsidiaries and associates, UE Envirotech Pte Ltd and its subsidiaries, UE Asia Pacific (Beijing) Co., Ltd. and its subsidiary, and Hengyang City UE Songmu Water Co., Ltd. (collectively known as "EE Businesses"). The Group completed the sale of the EE Businesses as announced on 26 July 2016 and 28 September 2016.

As at 31 December 2016, the results of MFLEX Group and EE Businesses have been presented separately in the consolidated income statement as discontinued operations.

Income statement disclosures

The results for MFLEX Group and EE Businesses for the year ended 31 December 2016 are as follows:

	$000
Revenue	374,118
Expenses	(397,084)
Loss from discontinued operations	(22,966)
Finance costs	(687)
Loss before tax from discontinued operations	(23,653)
Gain on disposal of subsidiaries	199,397
	175,744
Taxation:	
– Related to loss from ordinary activities of the discontinued operations	(801)
– Related to gain on discontinuance	(18,100)
Total taxation (Note 9)	(18,901)
Profit from discontinued operations, net of tax	156,843
Cash flow statement disclosures	
Operating	(816)
Investing	(26,119)
Financing	10,440
Net cash outflows	(16,495)
Earnings per stock unit disclosures	
Earnings per stock unit from discontinued operations attributable to owners of the Company (cents)	
Basic	17.7
Diluted	17.7

Basic earnings per stock unit (EPS) from discontinued operations in 2016 is calculated by dividing net profit from discontinued operations attributable to owners of the Company of $113,200,000 by the weighted average number of ordinary stock units in issue during 2016 of 637,295,682.

Diluted EPS from discontinued operations in 2016 is calculated by dividing the net profit from discontinued operations attributable to owners of the Company by the weighted average number of ordinary stock units outstanding during 2016 plus the weighted average number of ordinary stock units that would be issued on the conversion of all the dilutive potential ordinary stock units into ordinary stock units.

11 EARNINGS PER STOCK UNIT

a) Continuing operations

Basic earnings per stock unit (EPS) from continuing operations is calculated by dividing net profit from continuing operations 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.

Diluted EPS from continuing operations is calculated by dividing the net profit from continuing operations attributable to owners of the Company and after deducting preference dividends by the weighted average number of ordinary stock units outstanding during the financial year plus the weighted average number of ordinary stock units that would be issued on the conversion of all the dilutive potential ordinary stock units into ordinary stock units.

b) Earnings per stock unit

Basic 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.

Diluted EPS is calculated by dividing the net profit attributable to owners of the Company and after deducting preference dividends by the weighted average number of ordinary stock units outstanding during the financial year plus the weighted average number of ordinary stock units that would be issued on the conversion of all the dilutive potential ordinary stock units into ordinary stock units.

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	
	2017 $000	**2016 $000**
Net profit attributable to owners of the Company used in computation of basic and diluted EPS	**89,573**	140,581
Less: Net profit from discontinued operations attributable to owners of the Company	**–**	(113,200)
Net profit from continuing operations attributable to owners of the Company used in computation of basic and diluted EPS	**89,573**	27,381
Less: Preference dividends	**(66)**	(66)
	89,507	27,315

	No. of shares 000	**No. of shares 000**
Weighted average number of ordinary stock units applicable to basic EPS	**637,509**	637,296
Effect of dilutive securities:		
– Share options	**–**	29
Adjusted weighted average number of ordinary stock units applicable to diluted EPS	**637,509**	637,325

There were no share options outstanding at the end of the financial year. During the previous financial year, 321,365 share options granted to the employees under the employee share option plans have not been included in the calculation of diluted EPS because they are anti-dilutive.

12 PROPERTY, PLANT AND EQUIPMENT

	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
GROUP							
Cost							
At 1 January 2016	25,649	25,227	136,181	4,297	262,629	39,124	493,107
Additions	366	369	317	530	33,231	6,376	41,189
Amount written-off	–	–	(580)	–	(735)	(716)	(2,031)
Currency realignment	308	664	884	(223)	(31,548)	(1,901)	(31,816)
Disposal of subsidiaries	–	–	(53,957)	(812)	(169,172)	(15,334)	(239,275)
Disposals	–	–	–	–	(17,772)	(1,689)	(19,461)
At 31 December 2016 and 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	26,111	23,035	78,585	483	66,719	22,435	217,368
Accumulated depreciation and impairment loss							
At 1 January 2016	–	(10,305)	(12,759)	(349)	(91,946)	(18,363)	(133,722)
Amount written-off	–	–	389	–	728	692	1,809
Charge for the financial year							
- Continuing operations	–	(1,507)	(3,807)	–	(8,364)	(3,738)	(17,416)
- Discontinued operations	–	–	(2,009)	–	(23,647)	(1,570)	(27,226)
Currency realignment	–	(703)	(5,192)	–	23,111	1,454	18,670
Disposal of subsidiaries	–	–	2,877	–	49,767	7,851	60,495
Disposals	–	–	–	–	16,926	1,660	18,586
At 31 December 2016 and 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							
– Continuing operations	–	(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	–	(10,635)	(20,042)	–	(28,269)	(10,145)	(69,091)
Net book value							
At 31 December 2016	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

12 PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Leasehold land and building $000	Capital work-in-progress $000	Motor vehicles and other assets $000	Total $000
COMPANY				
Cost				
At 1 January 2016	25,938	475	8,959	35,372
Additions	–	8	572	580
Disposals	–	–	(623)	(623)
At 31 December 2016 and 1 January 2017	25,938	483	8,908	35,329
Additions	–	–	853	853
Disposals	–	–	(389)	(389)
At 31 December 2017	25,938	483	9,372	35,793
Accumulated depreciation				
At 1 January 2016	(4,520)	–	(7,428)	(11,948)
Charge for the financial year	(786)	–	(483)	(1,269)
Disposals	–	–	623	623
At 31 December 2016 and 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	(6,092)	–	(7,607)	(13,699)
Net book value				
At 31 December 2016	20,632	483	1,620	22,735
At 31 December 2017	19,846	483	1,765	22,094

	GROUP 2017 $000	GROUP 2016 $000
The depreciation charge for the financial year in the income statement is as follows:		
Depreciation for the financial year	16,450	44,642
Current financial year's depreciation capitalised	(40)	(54)
	16,410	44,588
Less: Attributable to discontinued operations		
Depreciation for the financial year	–	(27,226)
Current financial year's depreciation capitalised	–	22
	–	(27,204)
Charged to the income statement – continuing operations (Note 8)	16,410	17,384

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

	2017 $000	2016 $000
Leasehold land and buildings	4,124	4,669

13 INVESTMENT PROPERTIES

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

	GROUP		COMPANY	
	2017 $000	2016 $000	2017 $000	2016 $000
Statement of financial position:				
(a) Freehold land and buildings				
At 1 January	**837,099**	841,452	**–**	–
Currency realignment	**3**	(73)	**–**	–
Revaluation deficit recognised in the income statement	**(2,026)**	(7,245)	**–**	–
Subsequent expenditure	**2,306**	2,965	**–**	–
At 31 December	**837,382**	837,099	**–**	–
(b) Long leasehold land and buildings				
At 1 January	**680,400**	677,645	**679,500**	676,572
Currency realignment	**6**	(173)	**–**	–
Revaluation surplus recognised in the income statement	**42,892**	53	**42,892**	53
Subsequent expenditure	**8**	2,875	**8**	2,875
At 31 December	**723,306**	680,400	**722,400**	679,500
(c) Leasehold land and buildings				
At 1 January	**341,919**	338,445	**–**	–
Currency realignment	**(41)**	3	**–**	–
Revaluation surplus recognised in the income statement	**3,499**	998	**–**	–
Subsequent expenditure	**2,562**	2,473	**–**	–
At 31 December	**347,939**	341,919	**–**	–
At valuation	**1,908,627**	1,859,418	**722,400**	679,500
Income statement:				
Rental income from investment properties:				
– Minimum lease payments	**77,204**	80,884	**40,259**	38,781
Direct operating expenses (including repairs and maintenance) (Note 8) arising from continuing operations:				
– Rental generating properties	**33,054**	28,936	**18,140**	18,685
– Non-rental generating properties	**79**	72	**–**	–
	33,133	29,008	**18,140**	18,685

Investment properties are stated at their fair value, which has been determined based on independent professional valuations performed as at 31 December 2017 and 31 December 2016. The valuations were performed by Edmund Tie & Company (SEA) Pte Ltd, Colliers International Consultancy & Valuation (Singapore) Pte Ltd, PA International Property Consultants Sdn Bhd, JS Valuers Property Consultant (E.M) Sdn Bhd and 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 37.

Investment properties amounting to $1,133,000,000 (2016: $1,126,720,000) have been mortgaged to secure term loan facilities for certain subsidiaries (Note 27).

14 INTANGIBLE ASSETS

	Concession rights $000	Development costs and technical know-how $000	Customer relationships $000	Goodwill $000	Others[1] $000	Total $000
GROUP						
Cost						
At 1 January 2016	30,881	15,588	4,295	11,456	1,333	63,553
Additions – internal development	–	1,979	–	–	–	1,979
Currency realignment	(2,146)	–	–	–	(8)	(2,154)
Disposal of subsidiaries	(28,735)	(9,700)	–	(5,126)	(1,145)	(44,706)
At 31 December 2016 and 1 January 2017	–	7,867	4,295	6,330	180	18,672
Additions – internal development	–	2,648	–	–	–	2,648
Disposal of a business unit	–	(10,515)	(4,295)	(6,330)	(180)	(21,320)
At 31 December 2017	–	–	–	–	–	–
Accumulated amortisation and impairment losses						
At 1 January 2016	(6,925)	(13,876)	(1,861)	(9,753)	(1,115)	(33,530)
Amortisation						
– Continuing operations	–	(1,062)	(432)	–	(21)	(1,515)
– Discontinued operations	(556)	–	–	–	(3)	(559)
Currency realignment	489	–	–	–	(1)	488
Disposal of subsidiaries	6,992	9,700	–	3,423	1,033	21,148
At 31 December 2016 and 1 January 2017	–	(5,238)	(2,293)	(6,330)	(107)	(13,968)
Amortisation						
– Continuing operations	–	(1,583)	(432)	–	–	(2,015)
Impairment loss	–	–	–	–	(73)	(73)
Disposal of a business unit	–	6,821	2,725	6,330	180	16,056
At 31 December 2017	–	–	–	–	–	–
Net carrying amount						
At 31 December 2016	–	2,629	2,002	–	73	4,704
At 31 December 2017	–	–	–	–	–	–

[1] Others comprise mainly trademark, software licence and marketing rights.

14 INTANGIBLE ASSETS *(continued)*

(a) Development costs and technical know-how

Development costs and technical know-how are separately identified intangible assets recognised and acquired as part of business combination mainly relating to the technology and liquefied petroleum gas ("LPG") businesses of WBL Group. Development costs and technical know-how are amortised evenly over their economic useful lives of 5 to 10 years.

(b) Customer relationships

Customer relationships acquired in business combinations are carried at fair values at the date of acquisition, and amortised over a straight-line basis over the period of the expected benefits, which is estimated at 5 to 9 years.

Amortisation expense

Amortisation of intangible assets is included in the line "Other items of expense" in the consolidated income statement.

Disposal of a business unit/subsidiaries

During the financial year ended 31 December 2017, the carrying amount of intangible assets relating to the LPG business of the Group has been recognised in the income statement under the line item "Gain on disposal of a business unit" as part of determination of gain/(loss) from disposal of a business unit. During the previous financial year ended 31 December 2016, the carrying amount of intangible assets relating to the technology and environmental engineering businesses of the Group has been recognised in the income statement of the discontinued operations under the line item "Gain on disposal of subsidiaries" as part of determination of gain/(loss) from disposal of subsidiaries, following the divestment of certain subsidiaries.

15 INTERESTS IN SUBSIDIARIES

	COMPANY	
	2017 **$000**	**2016** **$000**
Unquoted equity shares at cost	**150,988**	150,988
Impairment losses	**(60,195)**	(60,195)
Carrying amount of investments	**90,793**	90,793
Loans receivable	**923,141**	960,159
Allowance for doubtful loans receivable	**(45,203)**	(45,203)
	877,938	914,956
	968,731	1,005,749

Included in loans receivable are non-interest bearing unsecured loans of $704,826,000 (2016: $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 0.3% to 3.7% (2016: 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 (2016: $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.

15 INTERESTS IN SUBSIDIARIES *(continued)*

Disposal of subsidiaries

2016

During the previous financial year ended 31 December 2016, the Group disposed of the following subsidiaries:

a) In July 2016, the Group completed the following disposals:
- 42.2% effective shareholdings in Multi-Fineline Electronix, Inc. (MFLEX) and its subsidiaries;
- 100% shareholdings in UE Envirotech Pte. Ltd. and its subsidiaries;
- 100% shareholdings in UE Asia Pacific (Beijing) Co., Ltd. and its subsidiary; and
- 100% shareholdings in Hengyang City UE Songmu Water Co., Ltd.

b) In August 2016, the Group completed the disposal of its 62.6% effective shareholdings in Suzhou Speedling Co., Ltd.

c) In September 2016, the Group completed the disposal of its 100% shareholdings in UES Holdings Pte. Ltd., its subsidiaries and associates.

The subsidiaries as at 31 December are as follows:

Name of company	Principal activities (Place of business) [1]	Effective equity interest held by the Group 2017 %	2016 %
Incorporated in Singapore			
McAlister and Company, Limited	Investment holding and provision of management services	**100**	100
MFS Technology Ltd	Liquidated	**–**	52.2
O'Connor's Holdings Pte Ltd	Investment holding	**67.6**	67.6
O'Connor's Singapore Pte Ltd	System Integrator and value-added reseller of security, telecommunication, scientific and medical systems	**67.6**	67.6
O'Connor's Technology Pte. Ltd.	Dormant	**67.6**	67.6
Puffersoft Labs Pte. Ltd.	Dormant	**54.1**	54.1
Shenyang Summer Palace Pte. Ltd.	Investment holding	**67.6**	67.6
Speedling Investment Pte Ltd	Investment holding	**67.6**	67.6
UE Centennial Venture Pte. Ltd.	Investment holding	**100**	100
UE Development (Alexandra) Pte. Ltd.	Property development and leasing	**100**	100
UE Development (Anson) Pte. Ltd.	Property development and leasing	**100**	100
UE Development (Bendemeer) Pte. Ltd.	Property development	**100**	100
UE One-North Developments Pte. Ltd.	Property development and leasing	**100**	100
UE Park Avenue International Pte. Ltd.	Hotel management services	**100**	100

15 INTERESTS IN SUBSIDIARIES *(continued)*

Name of company	Principal activities (Place of business) [1]	Effective equity interest held by the Group 2017 %	2016 %
Incorporated in Singapore *(continued)*			
UE Support Services Pte Ltd	Management services	**100**	100
UE Trade Corporation Pte Ltd	Investment holding	**100**	100
UE UMC Pte. Ltd.	Investment holding	**100**	100
UE Ville Developments Pte Ltd	Property development and leasing	**100**	100
United Engineers Developments Pte. Ltd.	Property facilities management and leasing	**100**	100
United WBL Technology Pte. Ltd.	Investment holding	**80.6**	80.6
WBL Corporation Limited	Investment holding and provision of management services to related companies	**67.6**	67.6
WBL Properties (Private) Limited	Investment holding	**67.6**	67.6
WBL Services (Private) Limited	Provision of management and financial services to related companies	**67.6**	67.6
WBL Properties (China) (Private) Limited	Investment holding and provision of management services to related companies	**67.6**	67.6
WBL Engineering & Distribution Pte. Ltd.	Trading of marine and heavy equipment and related services, supply and installation of building materials, industrial laundry, and the marketing, distribution and sale of bottled and bulk LPG	**67.6**	67.6
WBL Hollingsworth Singapore Pte. Ltd.	Investment holding	**64.4**	64.4
WBL International (1994) Limited	Investment holding	**67.6**	67.6
WBL Precision (Private) Limited	Investment holding	**67.5**	67.5
WBL Technology (Private) Limited	Investment holding	**67.5**	67.5

15 INTERESTS IN SUBSIDIARIES *(continued)*

Name of company	Principal activities (Place of business) [1]	Effective equity interest held by the Group 2017 %	2016 %
Incorporated in Malaysia			
Far East Motors Malaysia Sendirian Berhad [2]	Dormant	**67.6**	67.6
Kumpulan O'Connor's (Malaysia) Sdn. Bhd. [2]	Investment holding	**67.6**	67.6
McAlister Engineering Sdn. Bhd. [2]	Dormant	**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	**67.6**	67.6
O'Connor's Enterprise Sdn. Bhd. [2]	In the process of members' voluntary winding up	**67.6**	67.6
O'Connor's Technologies Sdn. Bhd. [2]	Supply, delivery, testing and commissioning of telecommunication equipment and after-sales service	**67.6**	67.6
Peninsular Smart Sdn. Bhd. [2]	Property owner and property developer	**100**	100
Polytek Engineering Sdn. Bhd. [2]	In the process of members' voluntary winding up	**67.6**	67.6
UE ServiceCorp (Malaysia) Sdn. Bhd.	In the process of striking off	**100**	100
UED Developments (M) Sdn. Bhd. [2]	Civil, electrical, mechanical engineers and contractors	**100**	100
WBL Electronics (Malaysia) Sdn. Bhd. [2]	Dormant	**65.9**	65.9
Incorporated in Brunei			
O'Connor's (B) Sdn Bhd	Dormant	**67.6**	67.6

15 INTERESTS IN SUBSIDIARIES *(continued)*

Name of company	Principal activities (Place of business) [1]	Effective equity interest held by the Group 2017 %	2016 %
Incorporated in Indonesia			
PT UE Developments	In the process of striking off	**100**	100
Incorporated in Myanmar			
UE Myanmar Limited	Dormant	**100**	100
Incorporated in India			
UE Trade Corporation (India) Private Limited	Dormant	**100**	100
Incorporated in Hong Kong			
WBL (Hong Kong) Limited	Investment holding	**67.6**	67.6
Incorporated in People's Republic of China			
Chengdu Huaxin International Realty Co., Ltd.	Property development	**67.6**	67.6
Chengdu WBL UEST New Tech Co., Ltd	Production of bio-electronic products	**57.2**	57.2
Huaxin Community Broadband Service Co., Ltd.	Investment holding	**67.6**	67.6
Kunming Speedling Co., Ltd.	Under liquidation	**60.8**	60.8
Shanghai WBL Enterprise Management Co., Ltd.	Provision of management services for property development	**67.6**	67.6
Shenyang Huaxin International City Development Co., Ltd.	Property development	**67.6**	67.6
Shenyang Huaxin International Realty Co., Ltd.	Property development	**67.6**	67.6
Shenyang Huaxin Property Management Co., Ltd.	Liquidated	**–**	67.6
Shenyang Summer Palace Property Development Co., Ltd.	Property development	**67.6**	67.6
Shenzhen Technology Development Corporation [β]	Dormant	**40.6**	40.6

15 INTERESTS IN SUBSIDIARIES *(continued)*

Name of company	Principal activities (Place of business) [1]	Effective equity interest held by the Group 2017 %	2016 %
Incorporated in People's Republic of China *(continued)*			
Shenzhen Weko Biotechnology Limited	Dormant	**60.8**	60.8
Suzhou Future Agriworld Co., Ltd.	Agribusiness exhibition and trade emporium centre	**56.2**	56.2
Suzhou Wearnes Technology Co., Ltd.	Investment holding	**67.5**	67.5
WCSY Ltd	Manufacture of electronic components	**67.5**	67.5
Wearnes Electronics Shenyang Ltd.	Dormant	**59.4**	59.4
WPSY Ltd.	Diecasting and precision engineering	**67.5**	67.5
WBL Technology (Shenyang) Ltd.	Property investment	**54.1**	54.1
Wuhan Wearnes Technology Co., Ltd.	Liquidated	**–**	61.3
Yuan-Wearnes Technology (Changsha) Limited [β]	Dormant	**37.2**	37.2
Incorporated in Australia			
Pacific Silica Pty Ltd [2, β]	Mineral sand mining	**49.9**	49.9
Incorporated in United Kingdom			
Cambion Electronics Limited [2]	Manufacture of electronic connectors	**67.5**	67.5
Incorporated in United States of America			
Speedling, Incorporated	Transplant technology provider and production of seedlings	**67.6**	67.6
WBL (USA) Inc.	Investment holding	**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.
β Accounted for as subsidiary as the company was held through WBL.

15 INTERESTS IN SUBSIDIARIES *(continued)*

The Group has the following subsidiaries which have material non-controlling interests (NCI) to the Group.

Name of Subsidiary	Place of business	Proportion of ownership interest held by NCI	Profit allocated to NCI during the financial year	Accumulated NCI at the end of the financial year	Dividends paid to NCI
		%	$000	$000	$000
31 December 2017:					
WBL Corporation Limited	**Singapore**	**32.4**	**677**	**174,962**	**–**
31 December 2016:					
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	
	2017	**2016**
	$000	**$000**
Current		
Assets	**89,512**	88,867
Liabilities	**(2,950)**	(3,549)
Net current assets	**86,562**	85,318
Non-current		
Assets	**683,647**	681,305
Liabilities	**(230,204)**	(230,214)
Net non-current assets	**453,443**	451,091
Net assets	**540,005**	536,409

Summarised statement of comprehensive income

Revenue	**2,856**	306,662
Profit before income tax	**2,122**	156,388
Income tax expense	**(34)**	(3)
Profit after tax – continuing operations	**2,088**	156,385
Other comprehensive income	**1,508**	12,376
Total comprehensive income	**3,596**	168,761

Other summarised information

Net cash flows used in operations	**(1,692)**	(1,865)

16 INTERESTS IN ASSOCIATES

	GROUP		COMPANY	
	2017 $000	2016 $000	2017 $000	2016 $000
Unquoted equity shares				
At cost	**46,423**	46,086	**317**	317
Impairment losses	**(1)**	(1)	**(2)**	(2)
Goodwill on acquisition	**(1,023)**	(1,023)	**–**	–
Currency realignment	**(10,672)**	(8,685)	**–**	–
Share of net gain on fair value changes recognised directly in other comprehensive income	**4,117**	3,611	**–**	–
Share of net post acquisition reserves	**19,686**	16,071	**–**	–
	58,530	56,059	**315**	315
Loans receivable	**53,700**	53,700	**–**	–
Amounts receivable	**2,799**	2,945	**95**	107
	56,499	56,645	**95**	107
Allowance for doubtful receivables	**(85)**	(85)	**(85)**	(85)
	56,414	56,560	**10**	22
	114,944	112,619	**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.

The associates as at 31 December are as follows:

Name of company	Principal activities (Place of business) [1]	Effective equity interest held by the Group 2017 %	2016 %
Incorporated in Singapore			
Lycorpipe Investment Pte. Ltd. [β]	Investment holding	**11**	11
MaxLee Development Pte. Ltd.	Investment holding, property development and investment	**35**	35
The Seletar Mall Pte. Ltd. [2]	Property investments and managing shopping centre	**30**	30
Incorporated in Malaysia			
Apex Pharmacy Holdings Sendirian Berhad	Investment holding	**30**	30
Asia Travel Service (Malaysia) Sdn. Bhd.	In the process of striking off	**30**	30
BlueScope Buildings (Malaysia) Sdn. Bhd.	Design, supply and install pre-engineered building products	**40**	–
NS Bluescope Lysaght Malaysia Sdn Bhd	Manufacture, supply and install steel building products	**40**	40

16 INTERESTS IN ASSOCIATES *(continued)*

Name of company	Principal activities (Place of business) [1]	Effective equity interest held by the Group 2017 %	2016 %
Incorporated in Thailand			
Rank P.T. O'Connor's Co., Ltd	Ceased operation	**26.4**	26.4
O'Connor's (Thailand) Co., Ltd	System integration and trading and distribution of engineering systems	**33.1**	33.1
Incorporated in Taiwan			
Global Investment Holdings Co., Ltd [β]	Investment holding and financial services	**13.9**	13.9
Wearnes Global Co., Ltd	Trading of electronic components	**32.8**	32.8
Incorporated in People's Republic of China			
Advance Science-Lab Industries (Panyu) Co., Ltd [β]	Manufacture of laboratory equipment and furniture	**13.5**	13.5
Laiyang Speedling Co., Ltd	Under liquidation	**27.0**	27.0
Incorporated in United States of America			
Chrontel, Inc.	Development of integrated circuits	**29.7**	29.7

1 Place of business in the respective countries of incorporation unless otherwise stated.
2 Audited by KPMG LLP, Singapore.
β 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 2017 $000	2016 $000
Assets and liabilities:		
Assets	**716,896**	601,970
Liabilities	**(509,722)**	(493,121)
Profit and loss:		
Profit for the financial year	**13,889**	17,912
Other comprehensive income	**(556)**	(1,092)
Total comprehensive income	**13,333**	16,820

17 INTERESTS IN JOINT VENTURES

	GROUP	
	2017	**2016**
	$000	**$000**
Unquoted equity shares, at cost	**67,097**	67,097
Currency realignment	**(3,831)**	(3,374)
Share of net post acquisition reserves	**20,358**	22,077
Dividends declared, net of tax	**(39,017)**	(39,017)
	44,607	46,783
Amounts receivable/(payable)	**3,331**	(1,305)
	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 as at 31 December are as follows:

Name of company	Principal activities (Place of business) [1]	Effective equity interest held by the Group 2017 %	2016 %
Incorporated in Singapore			
Greatearth Developments Pte Ltd	Real estate development and investment holding	**50**	50
Incorporated in Malaysia			
Permata Alasan (M) Sdn Bhd	Property investment	**33.8**	33.8
Renown Heritage Sdn. Bhd.	In the process of members' voluntary winding up	**33.8**	33.8
Incorporated in People's Republic of China			
Chongqing Huaxin International Realty Co., Ltd.	Property development	**33.8**	33.8
Shanghai Olympic Garden Property Development Co., Ltd.	Property development	**30.5**	30.5
Suzhou Huaxin International Real Estate Co., Ltd.	Property development	**22.5**	22.5
Suzhou Industrial Park Huaxin International Urban Development Co., Ltd.	Property development	**32.1**	32.1

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

17 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	
	2017	**2016**
	$000	**$000**
Assets and liabilities:		
Assets	**66,000**	67,227
Liabilities	**(21,392)**	(20,445)
Profit and loss:		
Loss after income tax from continuing operations	**(1,719)**	(2,495)
Other comprehensive income	**(455)**	(1,678)
Total comprehensive income	**(2,174)**	(4,173)

18 DEFERRED TAX

Balance at beginning of the financial year	**29,026**	18,407
Disposal of subsidiaries	**–**	12,735
Currency realignment	**411**	1,761
Debited/(credited) to equity	**951**	(658)
(Credited)/debited to income statement		
– Current year	**(2,941)**	(2,584)
– Under/(over) provision in respect of prior year	**276**	(635)
Balance at end of the financial year	**27,723**	29,026

The deferred taxation arises as result of:

Deferred tax liabilities		
Accrued income on completed project	**43,595**	57,915
Excess of net book value over the tax written down value of property, plant and equipment	**5,983**	8,160
Others	**1,503**	3,640
Unremitted earnings	**5,905**	5,473
	56,986	75,188
Deferred tax assets		
Excess of tax written down value over net book value of property, plant and equipment	**(1,409)**	(1,286)
General provisions	**(14,281)**	(20,915)
Provision for rental top-up	**(7,613)**	(12,280)
Tax losses	**(5,960)**	(11,681)
	(29,263)	(46,162)
	27,723	29,026

18 DEFERRED TAX *(continued)*

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 2017, the Group has unabsorbed tax losses and unutilised capital allowances of approximately $171,647,000 (2016: $179,034,000) and $2,948,000 (2016: $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 $80,132,000 (2016: $86,996,000) which will expire between 2018 and 2036 (2016: 2017 and 2036).

Deferred tax liabilities have not been recognised for withholding and other taxes that would be payable on the unremitted earnings of $2,187,000 (2016: $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 30).

19 OTHER INVESTMENTS

	GROUP		COMPANY	
	2017 $000	2016 $000	2017 $000	2016 $000
Non-current:				
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
	30,375	25,069	**1,197**	1,130

20 INVENTORIES

	GROUP	
	2017 $000	2016 $000
Statement of financial position:		
Inventories, at lower of cost and net realisable value		
– Engineering supplies and raw materials	**10,358**	9,576
– Trading inventories and finished goods	**9,724**	14,690
– Work-in-progress	**7,081**	6,880
Total inventories at 31 December	**27,163**	31,146

The Group has recognised a reversal of $870,000 (2016: $307,000), being part of inventories write down made in preceding years, as inventories were sold above the carrying amounts.

21 TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2017 $000	2016 $000	2017 $000	2016 $000
Total trade and other receivables (current):				
Trade receivable	**68,572**	210,299	**4,155**	3,291
Allowance for doubtful receivables	**(9,336)**	(10,337)	**(2,644)**	(2,644)
	59,236	199,962	**1,511**	647
Other receivables:				
Claims/expenses recoverable	**95**	187	**1**	–
Deposits	**4,660**	5,453	**192**	138
Due from subsidiaries	**–**	–	**1,754**	3,664
Project advance	**2,850**	4,628	**–**	–
Amount receivables from disposal of a business unit/ liquidation of subsidiaries	**4,584**	–	**–**	–
Sundry receivables	**9,324**	10,920	**48**	676
	21,513	21,188	**1,995**	4,478
Allowance for doubtful receivables	**(3,376)**	(3,658)	**(866)**	(866)
	18,137	17,530	**1,129**	3,612
	77,373	217,492	**2,640**	4,259
Add:				
Loans and amounts receivables:				
– Subsidiaries (Note 15)	**–**	–	**877,938**	914,956
– Associates (Note 16)	**56,414**	56,560	**10**	22
– Joint ventures (Note 17)	**3,331**	–	**–**	–
Bank balances and deposits (Note 24)	**384,711**	623,976	**117,919**	420,959
Total loans and receivables	**521,829**	898,028	**998,507**	1,340,196

Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 day 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.

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 2017 are as follows:

- $5,641,000 (2016: $7,017,000) denominated in United States Dollars and
- $3,584,000 (2016: $1,479,000) denominated in other foreign currencies.

21 TRADE AND OTHER RECEIVABLES *(continued)*

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% (2016: 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 (2016: $16,284,000) 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	
	2017	**2016**
	$000	**$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	
	2017	**2016**
	$000	**$000**
Trade and other receivables - nominal amounts	**13,128**	14,225
Less: Allowance for impairment	**(12,712)**	(13,995)
	416	230

	Trade receivables		Other receivables	
	2017	**2016**	**2017**	**2016**
	$000	**$000**	**$000**	**$000**
Movement in allowance accounts:				
At 1 January	**(10,337)**	(12,191)	**(3,658)**	(2,383)
Charge for the year	**(1,279)**	(4,089)	**–**	(1,587)
Disposal of a business unit and subsidiaries	**60**	3,992	**–**	98
Written-off	**420**	679	**15**	–
Written-back	**1,749**	1,272	**267**	214
Exchange differences	**51**	–	**–**	–
At 31 December	**(9,336)**	(10,337)	**(3,376)**	(3,658)

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

22 GROSS AMOUNT DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK

	GROUP	
	2017	**2016**
	$000	**$000**
Costs incurred and attributable profits less recognised losses to-date	**90,617**	82,040
Less: Progress billings	**(80,857)**	(70,256)
Amounts due from customers for contract work, net	**9,760**	11,784
Presented as:		
Gross amount due from customers for contract work	**13,565**	13,466
Gross amount due to customers for contract work	**(3,805)**	(1,682)
	9,760	11,784
Included in progress billings are retention sums of	**697**	1,337

23 PROPERTIES HELD FOR SALE

Completed properties, at cost		
Land cost	**40,952**	37,258
Development costs	**320,685**	275,082
	361,637	312,340
Properties under development		
Land cost	**59,360**	91,331
Development expenditure	**136,250**	250,644
	195,610	341,975
	557,247	654,315
Interest expense capitalised during the year (Note 7)	**3,170**	2,810

During the financial year, the Group wrote down certain properties under development by $9,671,000 (2016: $15,957,000), based on an independent professional valuation performed as at 31 December 2017.

Interest capitalised during the financial year is $3,170,000 (2016: $2,810,000) at rates ranging from 3.5% to 6.5% (2016: 2.6% to 6.0%) per annum.

Properties held for sale amounting to $358,549,000 (2016: $431,588,000) have been mortgaged to secure term loan facilities for certain subsidiaries (Note 27).

Certain projects amounting to $159,567,000 (2016: $172,427,000) included in properties held for sale are expected to be recovered more than twelve months after the reporting period.

24 BANK BALANCES AND DEPOSITS

	GROUP		COMPANY	
	2017	**2016**	**2017**	**2016**
	$000	**$000**	**$000**	**$000**
Cash at banks and in hand	**254,770**	409,564	**117,919**	311,159
Fixed deposits	**129,941**	178,186	**–**	109,800
Project accounts	**–**	36,226	**–**	–
	384,711	623,976	**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 2017 are as follows:

- $2,204,000 (2016: $2,682,000) denominated in United States Dollars;
- $279,000 (2016: $1,437,000) denominated in European Dollars; and
- $380,000 (2016: $1,409,000) denominated in other foreign currencies.

Bank balances and deposits earn interest at effective interest rates ranging from 0.4% to 2% (2016: 0.3% to 3.0%) 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 the previous financial year end, a sum of $28,000,000 of the project accounts was placed in fixed deposits.

25 SHARE CAPITAL AND TREASURY SHARES

	GROUP AND COMPANY			
	2017		**2016**	
	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	**637,452**	**807,063**	637,228	806,644
Share options exercised	**68**	**92**	224	419
Balance at 31 December	**637,520**	**807,155**	637,452	807,063
	638,395	**808,030**	638,327	807,938

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.

25 SHARE CAPITAL AND TREASURY SHARES *(continued)*

Outstanding options

Movement in the number of options during the financial year was as follows:

Date of Grant	Exercise Period	Exercise Price	Balance as at 01.01.17	No. of share options exercised	No. of share options forfeited	Balance as at 31.12.17
6.12.07	6.12.08 to 5.12.17	$3.31	321,365	–	(321,365)	–
20.5.09	20.5.10 to 19.5.19	$1.36	67,937	(67,937)	–	–
			389,302	(67,937)	(321,365)	–

	GROUP			
	2017		2016	
	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.

26 OTHER RESERVES

GROUP

	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 01/01/2017	(29)	4,081	(31,419)	(9,720)	2,659	4,328	(30,100)
Losses on exchange differences on translation, net of tax	–	–	(6,319)	–	–	–	(6,319)
Gains on remeasuring available-for-sale financial assets, net of tax	5,399	–	–	–	–	–	5,399
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	(37,738)	(9,720)	2,659	4,435	(34,595)

26 OTHER RESERVES *(continued)*

GROUP

	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	Exercise of share options of subsidiaries and related income tax benefit $000	Other reserves, total $000
Opening balance at 01/01/2016	(586)	2,835	4,030	(17,757)	2,659	4,674	10,713	6,568
Losses on exchange differences on translation, net of tax	–	–	(26,263)	–	–	–	–	(26,263)
Gains on remeasuring available-for-sale financial assets, net of tax	1,389	–	–	–	–	–	–	1,389
Realisation of reserves to income statement on disposal of subsidiaries, net of tax	–	–	(9,186)	257	–	–	–	(8,929)
Share of other comprehensive income from equity-accounted associates, net of tax	(832)	–	–	–	–	(346)	–	(1,178)
Additional interests in subsidiaries	–	–	–	1,260	–	–	–	1,260
Dilution of interests in subsidiaries	–	–	–	(4,942)	–	–	–	(4,942)
Employee share option scheme/ share appreciation rights:								
– value of employee services	–	(933)	–	–	–	–	2,339	1,406
Reclassification of reserves to retained earnings upon disposal of interests in subsidiaries	–	2,179	–	11,462	–	–	(13,052)	589
Closing balance at 31/12/2016	(29)	4,081	(31,419)	(9,720)	2,659	4,328	–	(30,100)

26 OTHER RESERVES *(continued)*

COMPANY

	AFS reserve $000	Share option reserve $000	Other reserves, total $000
Opening balance at 01/01/2017	(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)
Opening balance at 01/01/2016	(152)	4,081	3,929
Losses on remeasuring available-for-sale financial assets, net of tax	52	–	52
Closing balance at 31/12/2016	(100)	4,081	3,981

(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.

27 BORROWINGS

	GROUP 2017 $000	GROUP 2016 $000	COMPANY 2017 $000	COMPANY 2016 $000
Current				
Unsecured borrowings under MTN Programme				
– 4.2% p.a. fixed rate SGD notes (repayable in January 2017)	**–**	246,772	**–**	250,023
Bank trust receipts and bills payable:				
– unsecured	**3,886**	6,907	**–**	–
Bank loans:				
– secured	**72,619**	32,057	**–**	–
– unsecured	**8,407**	8,992	**3,700**	–
	81,026	41,049	**3,700**	–
	84,912	294,728	**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
Bank loans				
– secured				
– Repayable within 2 years	**281,774**	52,834	**–**	–
– Repayable within 3 to 5 years	**312,762**	691,285	**–**	–
– Repayable after 5 years	**1,573**	2,601	**–**	–
	596,109	746,720	**–**	–
	746,109	896,720	**150,000**	150,000
Total borrowings	**831,021**	1,191,448	**153,700**	400,023

The borrowings for certain subsidiaries are generally secured on their respective investment properties and properties held for sale (Note 13 and Note 23), and/or fixed/floating charges over certain assets (Note 12).

The Group's floating rate bank loans comprise:

	2017 Effective interest rate % p.a.	2017 Maturity	2017 Total $000	2016 Effective interest rate % p.a.	2016 Maturity	2016 Total $000
Singapore Dollars	**1.7 – 2.6**	**2018 – 2022**	**618,997**	1.5 – 3.3	2017 – 2018	727,402
Chinese Renminbi	**4.0 – 6.0**	**2018 – 2019**	**52,655**	5.5 – 6.3	2017 – 2019	52,647
United States Dollars	**2.5 – 3.1**	**2018 – 2025**	**5,483**	2.0 – 2.5	2017 – 2025	6,936
Other currencies			**–**	3.9	2017 – 2018	784
			677,135			787,769

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

	2016 $000	Cash flows $000	Non-cash changes: Foreign exchange movement $000	Non-cash changes: Reclassification $000	2017 $000
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	787,769	(109,389)	(1,245)	–	677,135

28 PROVISIONS

	Rental top-up $000	GROUP Development charge $000	Total $000
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**
At 1 January 2016	86,062	20,000	106,062
Utilised during the year	(12,515)	–	(12,515)
Unused amounts reversed during the year (Note 6)	(1,338)	(5,000)	(6,338)
At 31 December 2016	72,209	15,000	87,209
As at 31 December 2016 (Current)	17,005	–	17,005
As at 31 December 2016 (Non-current)	55,204	15,000	70,204
	72,209	15,000	87,209

Rental top-up

The provision for rental top-up relates to rental income support for the business park, retail and hotel components of *UE BizHub EAST*, which is equivalent to the differences between the agreed amount and net property income for each 12-month period commencing from the completion date over a remaining duration of 1 to 6 years (2016: 2 to 7 years). Assumptions used to calculate the provision for the rental top-up were based on current occupancy level, rental rate and current information available to compute the net property income.

Development charge

The provision for development charge relates to the undertaking provided by a subsidiary to the share purchaser in connection with 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). During the previous financial year ended 31 December 2016, the Group wrote back provision for development charge of $5 million subsequent to a Supplemental Deed signed with the share purchaser to reduce the provision amount from $20 million to $15 million with the transfer of automotive business in Thailand.

29 TRADE AND OTHER PAYABLES

	GROUP 2017 $000	GROUP 2016 $000	COMPANY 2017 $000	COMPANY 2016 $000
Total trade and other payables (current):				
Trade payables	**38,529**	49,610	**230**	205
Other payables:				
Accrued staff cost	**9,343**	10,821	**2,233**	3,191
Accrued job cost	**17,695**	17,317	**–**	–
Accrued operating expenses	**14,568**	14,050	**–**	–
Deferred income	**2,362**	2,087	**–**	–
Deposits	**15,097**	30,658	**7,245**	7,351
Due to subsidiaries	**–**	–	**70,170**	97,621
Interest payable	**1,207**	5,366	**474**	4,993
Other accruals	**16,405**	28,289	**2,877**	3,056
Progress billing received in advance	**8,728**	43,578	**–**	–
Sundry payables	**19,001**	17,063	**823**	858
	104,406	169,229	**83,822**	117,070
	142,935	218,839	**84,052**	117,275
Total trade and other payables (non-current):				
Retention sums	**3,616**	4,300	**–**	–
Total trade and other payables (current and non-current)	**146,551**	223,139	**84,052**	117,275
Add:				
Amounts payable:				
– Joint ventures (Note 17)	**–**	1,305	**–**	–
Borrowings (Note 27)	**831,021**	1,191,448	**153,700**	400,023
Less:				
Deferred income	**(2,362)**	(2,087)	**–**	–
Progress billing received in advance	**(8,728)**	(43,578)	**–**	–
Total financial liabilities carried at amortised cost	**966,482**	1,370,227	**237,752**	517,298

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 2017 are as follows:

- $3,084,000 (2016: $4,678,000) denominated in United States Dollars,
- $1,119,000 (2016: $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.

30 DIVIDENDS PAID

The following dividends were paid:

	GROUP 2017 $000	GROUP 2016 $000	COMPANY 2017 $000	COMPANY 2016 $000
Declared and paid during the financial year:				
Cumulative Preference Shares:				
Tax exempt (one-tier) dividend of 7.5 cents (2016: 7.5 cents)	**66**	66	**66**	66
Ordinary Stock:				
– First and final tax exempt (one-tier) dividend of 5 cents (2016: 5 cents)	**30,789**	30,778	**31,875**	31,864
– Special tax exempt (one-tier) dividend of 7 cents (2016: 3 cents)	**43,106**	18,467	**44,626**	19,118
	73,961	49,311	**76,567**	51,048

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 4 cents per ordinary stock, amounting to a total of approximately $25,501,000 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.

31 FUTURE CAPITAL COMMITMENTS

	GROUP 2017 $000	GROUP 2016 $000
Capital commitments contracted for not recognised in the financial statements	**4,920**	6,773

32 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 $12,868,000 (2016: $13,643,000). 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	
	2017	**2016**	**2017**	**2016**
	$000	**$000**	**$000**	**$000**
Within one year	**10,957**	12,335	**1,294**	1,402
After one year but not more than five years	**45,342**	46,336	**5,918**	6,405
After five years	**8,050**	18,998	**–**	–
	64,349	77,669	**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	
	2017	**2016**	**2017**	**2016**
	$000	**$000**	**$000**	**$000**
Within one year	**63,216**	70,877	**37,110**	36,721
After one year but not more than five years	**61,474**	75,288	**42,853**	49,374
After five years	**2,016**	2,636	**–**	–
	126,706	148,801	**79,963**	86,095

33 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 during the financial year:

	2017 No.	**2017 WAEP($)**	**2016 No.**	**2016 WAEP($)**
Outstanding at beginning of the financial year	**389,302**	**2.97**	709,386	2.67
Exercised during the financial year[1]	**(67,937)**	**1.36**	(223,859)	1.87
Forfeited during the financial year	**(321,365)**	**3.31**	(96,225)	3.31
Outstanding at the end of the financial year[2]	**–**	**–**	389,302	2.97
Exercisable at end of the financial year	**–**	**–**	389,302	2.97

1 The weighted average share price during the financial year was $2.73 (2016: $2.37).

2 There were no options outstanding at the end of the financial year. During the previous financial year, the range of exercise prices for options outstanding was $1.36 to $3.31 and the weighted average remaining contractual life for these options was 1.35 years.

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.

34 RELATED PARTY TRANSACTIONS

The following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year.

	GROUP	
	2017	2016
	$000	$000
Compensation of key management executives		
Short term employee benefits	**3,821**	3,367
Central Provident Fund	**80**	74
Total compensation paid to key management executives	**3,901**	3,441
Comprising amounts paid to:		
Directors of the Company	**1,587**[(1)]	747[(2)]
Other key management executives	**2,314**	2,694
	3,901	3,441

(1) Include 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.

(2) Include Mr Norman Ip's appointment as the Group Managing Director.

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. During the current and previous financial year, no option was exercised by the director and other key management executives. There were no outstanding number of share options granted to directors of the Company and other key management executives at the end of the financial year (2016: Nil and 35,639) respectively. No share option has been granted to the Company's non-executive directors.

35 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.

35 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.

Excessive risk concentration
Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on managing the concentration of credit risks. Selective hedging is used within the Group to manage risk concentrations at both the relationship and industry levels.

Exposure to credit risk
At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of trade and other receivables recognised in the statements of financial position. No other financial assets carry a significant exposure to credit risk.

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

	GROUP			
	2017		2016	
	$000	% of total	$000	% of total
By country:				
Singapore	**84,444**	**62**	223,188	81
China	**17,063**	**12**	15,618	6
USA	**11,132**	**8**	12,820	5
Other countries	**24,479**	**18**	22,426	8
	137,118	**100**	274,052	100
By industry sector/segment:				
Property Rental & Hospitality	**64,711**	**47**	61,705	23
Property Development	**12,368**	**9**	139,952	51
Distribution	**12,806**	**9**	18,065	7
Engineering	**8,169**	**6**	8,658	3
Manufacturing	**22,913**	**17**	25,469	9
Corporate Services & Others	**16,151**	**12**	20,203	7
	137,118	**100**	274,052	100

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

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

Credit risk *(continued)*

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
Information regarding financial assets that are either past due or impaired is disclosed in Note 21 (Trade and other receivables).

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 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
Had the available-for-sale quoted equity instruments listed on the SGX-ST held by the Group been 5% (2016: 5%) higher/lower with all other variables held constant, the Group's AFS reserve would have been $1,389,000 (2016: $1,121,000) higher/lower, arising as a result of an increase/decrease in the fair value of equity instruments classified as 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 2017, 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	
		2017	**2016**
		$000	**$000**
		Profit net of tax	**Profit net of tax**
USD/SGD :	strengthened 5% (2016: 5%)	**+238**	+251
:	weakened 5% (2016: 5%)	**-238**	-251

35 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 (2016: 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 2017 and 2016, 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 (2016: 75) basis points lower/higher with all other variables held constant, the Group's profit net of tax would have been $4,642,000 (2016: $5,445,000) 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 10% (2016: 25%) of the Group's borrowings (Note 27) will mature in less than one year based on the carrying amount reflected in the financial statements. Approximately 2% (2016: 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.

	2017				2016			
	1 year or less $000	More than 1 year to 5 years $000	More than 5 years $000	Total $000	1 year or less $000	More than 1 year to 5 years $000	More than 5 years $000	Total $000
Group								
Trade and other payables	**142,935**	**3,616**	**–**	**146,551**	218,839	4,300	–	223,139
Borrowings	**107,287**	**793,250**	**1,714**	**902,251**	321,032	942,113	2,811	1,265,956
	250,222	**796,866**	**1,714**	**1,048,802**	539,871	946,413	2,811	1,489,095
Company								
Trade and other payables	**84,052**	**–**	**–**	**84,052**	117,275	–	–	117,275
Borrowings	**9,293**	**166,560**	**–**	**175,853**	255,543	172,080	–	427,623
	93,345	**166,560**	**–**	**259,905**	372,818	172,080	–	544,898

36 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 2017 and 2016.

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.

	GROUP	
	2017	**2016**
	$000	**$000**
Borrowings (Note 27)	**831,021**	1,191,448
Less: Bank balances and deposits (Note 24)	**(384,711)**	(623,976)
Net borrowings	**446,310**	567,472
Equity attributable to owners of the Company	**1,901,434**	1,883,007
Net debt to equity (times)	**0.23**	0.30

37 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.

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

(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 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 19)				
– 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 13)	–	–	1,908,627	1,908,627
Non-financial assets as at 31 December 2017	**–**	**–**	**1,908,627**	**1,908,627**

	GROUP 2016 $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 19)				
– Equity instruments (quoted)	22,424	–	–	22,424
– Equity instruments (unquoted)	–	–	2,645	2,645
Financial assets as at 31 December 2016	**22,424**	**–**	**2,645**	**25,069**
Non-financial assets:				
Investment properties (Note 13)	–	–	1,859,418	1,859,418
Non-financial assets as at 31 December 2016	**–**	**–**	**1,859,418**	**1,859,418**

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

(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 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 31 December 2016 $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.

37 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 2017	
		Effect of reasonably possible alternative assumptions	
	Carrying amount	Profit or loss	Other comprehensive income
	$000	$000	$000
Recurring fair value measurement			
Available-for-sale financial assets – Equity instruments (unquoted)	**2,605**	**–**	**130**

		31 December 2016	
		Effect of reasonably possible alternative assumptions	
	Carrying amount	Profit or loss	Other comprehensive income
	$000	$000	$000
Recurring fair value measurement			
Available-for-sale financial assets – Equity instruments (unquoted)	2,645	–	132

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%.

37 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 Available-for-sale financial assets Equity instruments (unquoted)	
	2017 $000	**2016 $000**
Opening balance	**2,645**	2,622
Total gains or losses:		
Disposed of/liquidated	**(107)**	(8)
Included in other comprehensive income:		
Gains on remeasuring available-for-sale financial assets, net of tax	**67**	31
Closing balance	**2,605**	2,645

	GROUP Investment properties	
	2017 $000	**2016 $000**
Opening balance	**1,859,418**	1,857,542
Subsequent expenditure	**4,876**	8,313
Currency realignment	**(32)**	(243)
Total gains or losses:		
Included in income statement:		
Net surplus/(deficit) on revaluation of investment properties	**44,365**	(6,194)
Closing balance	**1,908,627**	1,859,418

There has been no transfer from Level 1 and Level 2 to Level 3 during the financial years ended 31 December 2017 and 2016.

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

(C) Level 3 fair value measurement (continued)

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 FRS 113 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.

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 and floating rate borrowings, 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.

(E) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

The loans and amounts receivable from/payable to subsidiaries, associates and joint ventures have no fixed terms of repayment. Accordingly, their fair values cannot be measured reliably as the timing of the future cash flows cannot be determined.

The aggregate of these financial assets for the Group and Company amounted to $59,745,000 (2016: $55,255,000) and $877,948,000 (2016: $914,978,000) respectively.

38 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 2017 and 2016, there were no outstanding options in respect of unissued shares of PSPL.

39 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, distribution of construction material, auto parts and liquefied petroleum gas.

4. The Engineering segment provides system integration for broadcasting and multimedia, communication and information technology, security and surveillance sectors.

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.

39 SEGMENT INFORMATION *(continued)*

Business segments

The following tables present revenue and profit as well as certain asset and liability information regarding business segments at 31 December 2017 and 2016.

	Property Rental & Hospitality $000	Property Development $000	Distribution $000	Engineering $000	Manufacturing $000	Corporate Services & Others $000	Elimination $000	Total $000
Year ended 31 December 2017								
Segment revenue								
Sales to external customers	130,867	145,974	76,991	58,115	85,566	41,846	–	539,359
Inter-segment sales	734	–	–	–	–	6,431	(7,165)	–
Total revenue	131,601	145,974	76,991	58,115	85,566	48,277	(7,165)	539,359
Segment results	126,147	(7,136)	4,672	3,252	5,379	(10,803)	–	121,511
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								105,348
Income tax expense								(19,508)
Profit from continuing operations, net of tax								85,840
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

39 SEGMENT INFORMATION *(continued)*

Business segments *(continued)*

	Property Rental & Hospitality $000	Property Development $000	Distribution $000	Engineering $000	Manufacturing $000	Corporate Services & Others $000	Elimination $000	Total $000
Other operating segment information:								
Impairment loss on trade receivables	–	–	(561)	(109)	(277)	(332)	–	(1,279)
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
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 for rental-top up written-back	16,849	–	–	–	–	–	–	16,849

39 SEGMENT INFORMATION *(continued)*

Business segments *(continued)*

	Property Rental & Hospitality $000	Property Development $000	Distribution $000	Engineering $000	Manufacturing $000	Corporate Services & Others $000	Elimination $000	Total $000
Year ended 31 December 2016								
Segment revenue								
Sales to external customers	134,377	70,788	88,857	48,034	89,540	48,105	–	479,701
Inter-segment sales	838	–	–	–	–	7,895	(8,733)	–
Total revenue	135,215	70,788	88,857	48,034	89,540	56,000	(8,733)	479,701
Segment results	77,849	(23,215)	10,545	(1,437)	6,735	(10,697)	–	59,780
Finance costs								(35,744)
Interest income								2,587
Share of profit from equity-accounted associates	3,459	99	–	69	–	1,759	–	5,386
Share of profit/(loss) from equity-accounted joint ventures	130	(2,626)	–	–	–	–	–	(2,496)
Profit before tax								29,513
Income tax expense								(8,773)
Profit from continuing operations, net of tax								20,740
Profit from discontinued operations, net of tax								156,843
Profit net of tax								177,583
Segment assets	1,976,984	775,695	104,097	56,951	77,121	610,130	–	3,600,978
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								3,805,237
Segment liabilities	111,455	120,453	12,136	14,863	23,704	29,419	–	312,030
Unallocated liabilities								1,298,315
Total liabilities								1,610,345

39 SEGMENT INFORMATION *(continued)*

Business segments *(continued)*

	Property Rental & Hospitality $000	Property Development $000	Distribution $000	Engineering $000	Manufacturing $000	Corporate Services & Others $000	Elimination $000	Total $000
Other operating segment information:								
Impairment loss on trade receivables	(2,457)	–	(237)	(59)	(23)	(1,313)	–	(4,089)
Capital expenditure	(1,637)	(150)	(9,544)	(309)	(1,552)	(2,155)	–	(15,347)
Depreciation and amortisation	(3,308)	(442)	(6,613)	(386)	(3,652)	(4,498)	–	(18,899)
Gain on disposal of available-for-sale financial assets	3,880	–	–	–	–	121	–	4,001
Net deficit on revaluation of investment properties	(6,194)	–	–	–	–	–	–	(6,194)
Net loss on disposal of subsidiaries	–	–	–	–	–	(333)	–	(333)
Properties held for sale written down	–	(15,957)	–	–	–	–	–	(15,957)
Provision for rental-top up written-back	1,338	–	–	–	–	–	–	1,338
Write-back of provision for development charge	–	–	–	–	–	5,000	–	5,000

39 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	
	2017	**2016**	**2017**	**2016**
	$000	**$000**	**$000**	**$000**
Singapore	**236,289**	273,285	**1,924,956**	1,893,272
Malaysia	**53,330**	25,753	**10,108**	9,805
ASEAN (excluding Singapore and Malaysia)*	**1,096**	878	**–**	–
China	**152,935**	82,496	**60,097**	59,558
Asia (excluding ASEAN and China)*	**1,000**	1,852	**–**	–
USA	**54,148**	58,340	**15,772**	18,513
Others (or Non-Asian countries and USA)*	**40,561**	37,097	**45,971**	45,883
	539,359	479,701	**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.

40 AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the financial year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 16 March 2018.

SHAREHOLDING STATISTICS

AS AT 12 MARCH 2018

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 12 March 2018.

STOCKHOLDING STATISTICS

AS AT 12 MARCH 2018

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	152	2.27	3,604	0.00
100 – 1,000	631	9.43	453,323	0.07
1,001 – 10,000	3,901	58.31	19,477,019	3.06
10,001 – 1,000,000	1,974	29.51	100,223,130	15.72
1,000,001 and above	32	0.48	517,363,323	81.15
Total	**6,690**	**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	217,333,036	35.29
2.	Maybank Nominees (S) Pte Ltd	78,310,000	12.72
3.	Citibank Nominees Singapore Pte Ltd	60,450,555	9.82
4.	Maybank Kim Eng Securities Pte Ltd	24,102,496	3.91
5.	DBS Nominees Pte Ltd	23,526,174	3.82
6.	WBL Corporation Limited	n.m.[2]	n.m.[2]
7.	Morph Investments Ltd	15,080,000	2.45
8.	Raffles Nominees (Pte) Ltd	10,410,263	1.69
9.	DBSN Services Pte Ltd	9,016,126	1.46
10.	HSBC (Singapore) Nominees Pte Ltd	7,932,834	1.29
11.	Chen Chun Nan	4,830,000	0.78
12.	Waterworth Pte Ltd	4,000,000	0.65
13.	OCBC Securities Private Ltd	3,836,406	0.62
14.	Heng Siew Eng	3,581,200	0.58
15.	DB Nominees (Singapore) Pte Ltd	3,456,443	0.56
16.	Chong Yean Fong	2,675,200	0.43
17.	UOB Kay Hian Pte Ltd	2,442,500	0.40
18.	Royal Institute of Construction Economists Pte. Ltd.	2,155,000	0.35
19.	Chow Joo Ming	2,100,000	0.34
20.	Chong Chew Lim @ Chong Ah Kau	2,035,400	0.33
	Total	**477,273,633**	**77.49**

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 12 March 2018.

[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 12 March 2018, approximately 47.48% 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.

INTERESTED PERSON TRANSACTIONS

Disclosure pursuant to Rule 907 of the SGX-ST Listing Manual

The value of interested person transactions carried out by the Group during the financial year was as follows:

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate[3] pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate[3] pursuant to Rule 920 (excluding transactions less than $100,000)
	$000	$000
OCBC Group[1]		
General Transactions:		
– Leasing/Rental of properties	-	916[2]

Notes:

[1] Oversea-Chinese Banking Corporation Limited Group (other than Great Eastern Holdings Limited Group).

[2] The value of transactions is based on the Group's effective interest pursuant to Rule 909 of the SGX-ST Listing Manual.

[3] The Company had obtained a general mandate from shareholders for interested person transactions (IPTs) at the Annual General Meeting held on 25 April 2017 (IPT Mandate). The IPT Mandate covers mandated transactions with Oversea-Chinese Banking Corporation Limited and its associates (which include Great Eastern Holdings Limited and its subsidiaries) (collectively, "OCBC group") which were interested persons until 12 July 2017. Between 1 July 2017 and 12 July 2017, there was no IPT with an amount exceeding $100,000 with OCBC group and for the period from 1 July 2017 till 31 December 2017, there was no IPT with an amount exceeding $100,000 with any other interested persons other than OCBC group.

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 12 MARCH 2018

	Ordinary Stock Units				Preference Shares			
	Direct Interest		Deemed Interest		Direct Interest		Deemed Interest	
Name of Substantial Shareholders	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.	214,702,906	34.87	–	–	854,993	97.71	–	–
Yanlord Commercial Property Investments Pte. Ltd.[3]	–	–	214,702,906	34.87	–	–	854,993	97.71
Yanlord Land Group Limited[4]	–	–	214,702,906	34.87	–	–	854,993	97.71
Yanlord Holdings Pte. Ltd.[5]	–	–	214,702,906	34.87	–	–	854,993	97.71
Zhong Sheng Jian[6]	–	–	214,702,906	34.87	–	–	854,993	97.71
Perennial UW Pte. Ltd.[7]	–	–	214,702,906	34.87	–	–	854,993	97.71
Perennial Singapore Investment Holdings Pte. Ltd.[8]	–	–	214,702,906	34.87	–	–	854,993	97.71
Perennial Real Estate Holdings Limited [9]	–	–	214,702,906	34.87	–	–	854,993	97.71
Oxley Holdings Limited	102,003,100	16.56	–	–	–	–	–	–
Ching Chiat Kwong[10]	–	–	102,003,100	16.56	–	–	–	–
Low See Ching (Liu Shijin)[11]	6,528,800	1.06	102,003,100	16.56	–	–	–	–

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 12 March 2018.

(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 12 March 2018.

(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 2017

INVESTMENT PROPERTIES

Description and Location	Existing Use	Tenure	Unexpired lease term
UE BizHub CITY Clemenceau Avenue, Singapore	Commercial, retail and hospitality	Leasehold	864 years
Mixed-use development at one-north Buona Vista Road/ North Buona Vista Road, Singapore	Retail and hospitality	Leasehold	86 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	67.6	3,437,605	3,158,656	Phase 5: 27% (2019)
Shenyang Orchard Summer Palace City complex comprising a shopping mall, Grade A offices, serviced apartments and residential apartments Shenyang, China	67.6	360,784	2,674,197	Residential apartments: 19% (2020)

[1] In respect of the whole development.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the One Hundred and Fourth 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 Thursday, 26 April 2018 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 2017 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 2017, as recommended by the Directors.

3. To declare a first and final dividend of 4 cents (one-tier tax exempt) per ordinary stock unit for the year ended 31 December 2017, as recommended by the Directors.

4. To re-elect Mr Zhong Sheng Jian, a Director retiring pursuant to Article 103 of the Constitution of the Company and who, being eligible, offers himself for re-election.

5. To re-elect Mr Teo Ser Luck, a Director retiring pursuant to Article 103 of the Constitution of the Company and who, being eligible, offers himself for re-election.

6. To re-elect Mr Lee Suan Hiang, a Director retiring pursuant to Article 103 of the Constitution of the Company and who, being eligible, offers himself for re-election.

7. To re-elect Mr David Wong Cheong Fook, a Director retiring by rotation pursuant to Article 99 of the Constitution of the Company and who, being eligible, offers himself for re-election.

8. To re-elect Mr Pua Seck Guan, a Director retiring pursuant to Article 103 of the Constitution of the Company and who, being eligible, offers himself for re-election.

9. To re-elect Mr Tan Chee Keong Roy, a Director retiring pursuant to Article 103 of the Constitution of the Company and who, being eligible, offers himself for re-election.

10. To approve Directors' Fees of $755,587 for the year ended 31 December 2017. (2016: $874,345)

11. 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 the following resolutions with or without any modifications, Ordinary Resolutions:

12. **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."

13. **Proposed adoption 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 issued ordinary shares fully paid 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 buyback 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 the Shares 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."

By Order of the Board

Gn Jong Yuh Gwendolyn
Company Secretary

Singapore
11 April 2018

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 Zhong Sheng Jian, who will be retiring under Article 103 of the Constitution of the Company. Mr Zhong is the Executive Chairman and a Non-Independent Director and a member of the Nominating Committee. For further information on Mr Zhong, please refer to the "Board of Directors" section in the Annual Report 2017.

Item no. 5 is to re-elect Mr Teo Ser Luck, who will be retiring under Article 103 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 in the Annual Report 2017.

Item no. 6 is to re-elect Mr Lee Suan Hiang, who will be retiring under Article 103 of the Constitution of the Company. Mr Lee is the Chairman of the Remuneration Committee and a member of the Audit & Risk Committee. Mr Lee 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 Lee 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 Lee, please refer to the "Board of Directors" section in the Annual Report 2017.

Item no. 7 is to re-elect Mr David Wong Cheong Fook, who will be retiring by rotation under Article 99 of the Constitution of the Company. Mr Wong is the Chairman of the Audit & Risk Committee and a member of the Nominating Committee. Mr Wong 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 Wong 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 Wong, please refer to the "Board of Directors" section in the Annual Report 2017.

Item no. 8 is to re-elect Mr Pua Seck Guan, who will be retiring under Article 103 of the Constitution of the Company. Mr Pua is a Non-Independent and Non-Executive Director and a member of the Remuneration Committee. For further information on Mr Pua, please refer to the "Board of Directors" section in the Annual Report 2017.

Item no. 9 is to re-elect Mr Tan Chee Keong Roy, who will be retiring under Article 103 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 in the Annual Report 2017.

Item no. 10 is to facilitate the payment of Directors' Fees of $755,587 for the year ended 31 December 2017.

Item no. 12 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 12 is passed.

Item no. 13 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 Company's circular dated 11 April 2018 (the "**Circular**") as well as the rules and regulations set forth in the Companies Act and the listing rules of the Singapore Exchange Securities Trading Limited. Please refer to the Circular for more information relating to the proposed adoption of the Share Buyback Mandate.

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 2018 to 9 May 2018 (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 2018 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 2018 will rank for the relevant proposed dividends.

The proposed dividends, if approved by members at the One Hundred and Fourth Annual General Meeting, will be paid on 25 May 2018.

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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 11 April 2018.

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 Fourth Annual General Meeting (the "**Meeting**") of the Company, to be held at UE Convention Centre, 4 Changi Business Park Avenue 1, Singapore 486016 on Thursday, 26 April 2018 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.	ORDINARY RESOLUTIONS	FOR*	AGAINST*
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 Zhong Sheng Jian		
5.	Re-election of Mr Teo Ser Luck		
6.	Re-election of Mr Lee Suan Hiang		
7.	Re-election of Mr David Wong Cheong Fook		
8.	Re-election of Mr Pua Seck Guan		
9.	Re-election of Mr Tan Chee Keong Roy		
10.	Approval of Directors' Fees		
11.	Re-appointment of Ernst & Young LLP as Auditors		
12.	Adoption of Share Issue Mandate		
13.	Adoption of Share Buyback Mandate		

*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 ____________ 2018.

Number of Stock Units held	
Number of Preference Shares held	

IMPORTANT: PLEASE READ NOTES OVERLEAF

Signature(s) of Member(s) / Common Seal

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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