



Q2 2019 Financial Statement Announcement

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

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

	Group					
	3 months ended			6 months ended		
	30/6/2019	30/6/2018	Change	30/6/2019	30/6/2018	Change
	\$000	\$000	(%)	\$000	\$000	(%)
Revenue	88,135	96,188	(8)	173,433	201,436	(14)
Cost of sales	(44,651)	(53,142)	(16)	(88,729)	(112,183)	(21)
Gross profit	43,484	43,046	1	84,704	89,253	(5)
Other items of income						
Interest income	1,477	1,276	16	2,426	2,144	13
Other income	476	1,569	(70)	1,314	2,008	(35)
Other items of expense						
Distribution costs	(4,879)	(5,754)	(15)	(10,043)	(12,133)	(17)
Administrative expenses	(21,642)	(22,106)	(2)	(43,715)	(45,405)	(4)
Finance costs	(7,284)	(5,736)	27	(14,005)	(11,177)	25
Other expenses	(2,094)	(611)	243	(2,789)	(1,546)	80
Operating profit	9,538	11,684	(18)	17,892	23,144	(23)
Share of profit from equity-accounted associates and joint ventures	310	1,422	(78)	1,867	2,362	(21)
Profit before tax	9,848	13,106	(25)	19,759	25,506	(23)
Income tax expense	(2,178)	(1,686)	29	(4,520)	(4,884)	(7)
Profit net of tax	7,670	11,420	(33)	15,239	20,622	(26)
Profit/(loss) attributable to:						
Owners of the Company	8,295	11,006	(25)	16,062	20,008	(20)
Non-controlling interests	(625)	414	NM	(823)	614	NM
	7,670	11,420	(33)	15,239	20,622	(26)

NM: Not meaningful

1(a)(ii) Other information

	Group			
	3 months ended		6 months ended	
	30/6/2019 \$000	30/6/2018 \$000	30/6/2019 \$000	30/6/2018 \$000
Depreciation of property, plant and equipment ⁽¹⁾	(5,879)	(3,476)	(12,059)	(7,033)
Foreign exchange (loss)/gain	(206)	209	(313)	303
Gain on disposal of property, plant and equipment	60	47	57	9
Impairment loss on trade receivables	(115)	(55)	(31)	(282)
Inventories written-back/(written-down)	4	(234)	31	(126)
Loss on sale of investment property	(582)	—	(582)	—
Over/(under) provision of prior years' tax	240	438	151	(518)

⁽¹⁾ Depreciation of property, plant and equipment increased mainly due to the recognition of right-of-use assets arising from the adoption of SFRS(I) 16.

1(a)(iii) Statement of comprehensive income

	Group			
	3 months ended		6 months ended	
	30/6/2019 \$000	30/6/2018 \$000	30/6/2019 \$000	30/6/2018 \$000
Profit net of tax for the period	7,670	11,420	15,239	20,622
Other comprehensive income				
Items that will not be reclassified to income statement:				
Financial assets, at fair value through other comprehensive income (FVOCI)				
- Fair value changes during the period	(1,198)	(297)	228	(1,782)
Items that may be reclassified subsequently to income statement:				
(Losses)/gains on exchange differences on translation, net of tax	(11,847)	(3,375)	(8,081)	3,771
Share of other comprehensive income from equity-accounted associates, net of tax	(360)	108	21	502
	(12,207)	(3,267)	(8,060)	4,273
Other comprehensive income for the period, net of tax	(13,405)	(3,564)	(7,832)	2,491
Total comprehensive income for the period	(5,735)	7,856	7,407	23,113
Attributable to:				
Owners of the Company	(1,386)	8,681	10,860	21,854
Non-controlling interests	(4,349)	(825)	(3,453)	1,259
	(5,735)	7,856	7,407	23,113

1(b)(i) Statements of financial position

	Group		Company	
	30/6/2019	31/12/2018	30/6/2019	31/12/2018
	\$000	\$000	\$000	\$000
ASSETS				
Non-current assets				
Property, plant and equipment	200,988	141,385	39,824	20,519
Investment properties	1,922,837	1,927,740	730,005	729,900
Interests in subsidiaries	–	–	1,073,012	1,053,732
Interests in associates	109,658	108,759	315	322
Interests in joint ventures	46,445	44,830	–	–
Deferred tax assets	25,335	29,259	–	–
Other investments	26,979	26,751	1,209	1,209
Total non-current assets	2,332,242	2,278,724	1,844,365	1,805,682
Current assets				
Inventories	21,998	24,215	–	–
Income tax receivables	499	678	–	–
Trade and other receivables	64,753	98,343	19,847	31,612
Prepayments	10,692	8,739	587	690
Properties held for sale	996,964	959,720	–	–
Bank balances and deposits	279,698	251,252	29,675	22,352
Total current assets	1,374,604	1,342,947	50,109	54,654
Total assets	3,706,846	3,621,671	1,894,474	1,860,336
EQUITY AND LIABILITIES				
Equity				
Share capital	745,717 ⁽¹⁾	745,717 ⁽¹⁾	808,030	808,030
Retained earnings	1,192,225	1,194,744	814,961	817,428
Other reserves	(18,745)	(13,560)	(21)	(21)
Equity attributable to owners of the Company	1,919,197	1,926,901	1,622,970	1,625,437
Non-controlling interests	280,493	283,985	–	–
Total equity	2,199,690	2,210,886	1,622,970	1,625,437
Non-current liabilities				
Provisions	32,738	35,941	–	–
Deferred tax liabilities	50,175	54,609	–	–
Trade and other payables	54,403	228	19,804	–
Borrowings	974,249	728,358	150,000	150,000
Total non-current liabilities	1,111,565	819,136	169,804	150,000
Current liabilities				
Provisions	4,972	3,339	–	–
Income tax payable	31,467	30,348	4,108	3,999
Trade and other payables	211,134	197,607	21,011	23,600
Borrowings	148,018	360,355	76,581	57,300
Total current liabilities	395,591	591,649	101,700	84,899
Total liabilities	1,507,156	1,410,785	271,504	234,899
Total equity and liabilities	3,706,846	3,621,671	1,894,474	1,860,336

⁽¹⁾ This excludes 21,712,000 stock units held by a subsidiary.

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

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

As at 30/6/2019		As at 31/12/2018	
\$000	\$000	\$000	\$000
Secured	Unsecured	Secured	Unsecured
67,989	80,029	300,713	59,642

- (b) Amount repayable after one year

As at 30/6/2019		As at 31/12/2018	
\$000	\$000	\$000	\$000
Secured	Unsecured	Secured	Unsecured
824,249	150,000	578,358	150,000

- (c) Details of any collaterals

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

1(c) Statement of cash flows

	Group			
	3 months ended		6 months ended	
	30/6/2019 \$000	30/6/2018 \$000	30/6/2019 \$000	30/6/2018 \$000
Cash flows from operating activities				
Profit before tax	9,848	13,106	19,759	25,506
Depreciation of property, plant and equipment	5,879	3,476	12,059	7,033
Dividend income from other investments	(478)	—	(1,157)	(552)
Finance costs	7,284	5,736	14,005	11,177
Gain on disposal of property, plant and equipment	(60)	(47)	(57)	(9)
Impairment loss on investment in associate	—	—	—	337
Interest income	(1,477)	(1,276)	(2,426)	(2,144)
Inventories (written-back)/written-down	(4)	234	(31)	126
Loss on sale of investment property	582	—	582	—
Property, plant and equipment written-off	26	—	27	83
Share of profit from equity-accounted associates and joint ventures	(310)	(1,422)	(1,867)	(2,362)
Unrealised foreign exchange loss/(gain)	3,976	501	2,670	(1,108)
Operating cash flows before changes in working capital	25,266	20,308	43,564	38,087
Decrease in inventories	4,481	2,237	2,249	1,739
(Decrease)/increase in trade and other payables, provisions and contract liabilities	(9,864)	(16,573)	10,407	(29,033)
Decrease/(increase) in trade and other receivables and contract assets	24,054	1,936	31,883	6,692
(Increase)/decrease in properties held for sale	(5,313)	(2,455)	(44,672)	3,294
Cash flows from operations	38,624	5,453	43,431	20,779
Income taxes paid	(2,548)	(5,299)	(4,220)	(9,033)
Interest paid	(10,941)	(9,096)	(16,818)	(11,422)
Interest received	1,441	1,225	2,370	2,102
Net cash flows from/(used in) operating activities	26,576	(7,717)	24,763	2,426

1(c) Statement of cash flows (continued)

	Group			
	3 months ended		6 months ended	
	30/6/2019 \$000	30/6/2018 \$000	30/6/2019 \$000	30/6/2018 \$000
Cash flows from investing activities				
Distribution from dissolution of other investments	–	–	–	102
Dividends received from associates	1,339	1	1,427	107
Dividends received from other investments	478	–	1,157	552
(Increase)/decrease in amounts due from associates and joint ventures	(2,398)	55	(2,338)	154
Proceeds from disposal of property, plant and equipment	100	224	104	279
Proceeds from sale of investment property	7,169	–	7,169	–
Proceeds from settlement of outstanding consideration	–	–	–	4,584
Purchase of property, plant and equipment	(2,810)	(2,859)	(8,671)	(5,981)
Subsequent expenditure on investment properties	(1,970)	(281)	(2,878)	(902)
Net cash flows from/(used in) investing activities	1,908	(2,860)	(4,030)	(1,105)
Cash flows from financing activities				
Acquisition of non-controlling interests	–	(9,003)	(18)	(9,003)
(Decrease)/increase in short-term loans	(1,218)	(1,492)	15,599	(3,485)
(Decrease)/increase in banker acceptance	(1,077)	(1,577)	1,107	(2,092)
Distribution to shareholders from liquidation of a joint venture	–	–	–	22
Dividends paid	(18,540)	(24,698)	(18,540)	(24,698)
Payment of lease liabilities	(3,058)	–	(6,455)	–
Proceeds from long-term loans	401	–	18,342	275
Repayment of long-term loans	(200)	(6,702)	(421)	(6,900)
Net cash flows (used in)/from financing activities	(23,692)	(43,472)	9,614	(45,881)
Net increase/(decrease) in cash and cash equivalents	4,792	(54,049)	30,347	(44,560)
Cash and cash equivalents, beginning balance	277,912	395,466	251,252	384,711
Effect of exchange rate changes on cash and cash equivalents	(3,006)	(563)	(1,901)	703
Cash and cash equivalents, ending balance	279,698	340,854	279,698	340,854

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

	Attributable to owners of the Company						Non-controlling interests
	Total equity	Equity attributable to owners of the Company	Share capital	Treasury# shares	Retained earnings	Other reserves	
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Opening balance at 1/1/2019, as previously reported	2,210,886	1,926,901	808,030	(62,313)	1,194,744	(13,560)	283,985
Effect of adoption of SFRS(I) 16	(62)	(41)	–	–	(41)	–	(21)
Opening balance at 1/1/2019, as adjusted	2,210,824	1,926,860	808,030	(62,313)	1,194,703	(13,560)	283,964
Profit/(loss) for the period	7,569	7,767	–	–	7,767	–	(198)
Gains on exchange differences on translation, net of tax	3,766	2,672	–	–	–	2,672	1,094
Financial assets, at FVOCI							
- Fair value changes arising during the period	1,426	1,426	–	–	–	1,426	–
Share of other comprehensive income from equity-accounted associate, net of tax	381	381	–	–	–	381	–
Other comprehensive income for the period	5,573	4,479	–	–	–	4,479	1,094
Total comprehensive income for the period	13,142	12,246	–	–	7,767	4,479	896
Changes in ownership interests in subsidiaries							
Acquisition of non-controlling interests without a change in control	(18)	–	–	–	–	–	(18)
Total changes in ownership interests in subsidiaries	(18)	–	–	–	–	–	(18)
Total transactions with owners in their capacity as owners	(18)	–	–	–	–	–	(18)
Others							
Transfer of share option reserve from equity-accounted associates	17	17	–	–	–	17	–
Total others	17	17	–	–	–	17	–
Closing balance at 31/3/2019	2,223,965	1,939,123	808,030	(62,313)	1,202,470	(9,064)	284,842
Profit/(loss) for the period	7,670	8,295	–	–	8,295	–	(625)
Losses on exchange differences on translation, net of tax	(11,847)	(8,123)	–	–	–	(8,123)	(3,724)
Financial assets, at FVOCI							
- Fair value changes arising during the period	(1,198)	(1,198)	–	–	–	(1,198)	–
Share of other comprehensive income from equity-accounted associate, net of tax	(360)	(360)	–	–	–	(360)	–
Other comprehensive income for the period	(13,405)	(9,681)	–	–	–	(9,681)	(3,724)
Total comprehensive income for the period	(5,735)	(1,386)	–	–	8,295	(9,681)	(4,349)
Contributions by and distributions to owners							
Dividends paid	(18,540)	(18,540)	–	–	(18,540)	–	–
Total contributions by and distributions to owners	(18,540)	(18,540)	–	–	(18,540)	–	–
Total transactions with owners in their capacity as owners	(18,540)	(18,540)	–	–	(18,540)	–	–
Closing balance at 30/6/2019	2,199,690	1,919,197	808,030	(62,313)	1,192,225	(18,745)	280,493

This relates to 21,712,000 stock units held by a subsidiary.

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

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

This relates to 21,712,000 stock units held by a subsidiary.

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

COMPANY

	Total equity \$000	Share capital \$000	Retained earnings \$000	Other reserves \$000
Opening balance at 1/1/2019	1,625,437	808,030	817,428	(21)
Profit for the period	3,412	–	3,412	–
Total comprehensive income for the period	3,412	–	3,412	–
Closing balance at 31/3/2019	1,628,849	808,030	820,840	(21)
Profit for the period	13,313	–	13,313	–
Total comprehensive income for the period	13,313	–	13,313	–
Contributions by and distributions to owners				
Dividends paid	(19,192)	–	(19,192)	–
Total transactions with owners in their capacity as owners	(19,192)	–	(19,192)	–
Closing balance at 30/6/2019	1,622,970	808,030	814,961	(21)
Opening balance at 1/1/2018	1,593,786	808,030	785,789	(33)
Profit for the period	33,424	–	33,424	–
Total comprehensive income for the period	33,424	–	33,424	–
Closing balance at 31/3/2018	1,627,210	808,030	819,213	(33)
Profit for the period	4,370	–	4,370	–
Total comprehensive income for the period	4,370	–	4,370	–
Contributions by and distributions to owners				
Dividends paid	(25,566)	–	(25,566)	–
Total transactions with owners in their capacity as owners	(25,566)	–	(25,566)	–
Closing balance at 30/6/2018	1,606,014	808,030	798,017	(33)

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

There was no change in the issued share capital of the Company since 31 December 2018.

<u>Share capital</u>	30/6/2019	30/6/2018
Number of issued stock units	637,520,399	637,520,399
Number of issued stock units (excluding subsidiary holdings)	615,808,399	615,808,399
Number of subsidiary holdings*	21,712,000	21,712,000
Number of treasury shares	Nil	Nil
Percentage of the aggregate number of treasury shares and the subsidiary holdings held against the total number of shares outstanding	3.41%	3.41%

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

As at 30 June 2019, the Company's issued and paid-up ordinary share capital excluding treasury shares was 637,520,399 ordinary stock units (31 December 2018: 637,520,399).

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

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

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

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

* On 5 July 2019, the Company announced the sale of the entire subsidiary holdings comprising 21,712,000 stock units in the Company held by a subsidiary, WBL Corporation Limited.

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

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

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

Not applicable.

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

Except as disclosed in Paragraph 5 below, there were no further changes in accounting policies and methods of computation adopted in the financial statements of the current reporting period as compared to the most recently audited annual financial statements as at 31 December 2018.

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

The Group adopted the new/revised SFRS(I) that are effective for annual periods beginning on or after 1 January 2019.

SFRS(I) 16 Leases

SFRS(I) INT 23 Uncertainty over Income Tax Treatments

Amendments to SFRS(I) 9 Prepayment Features with Negative Compensation

Amendments to SFRS(I) 1-28 Long-term Interests in Associates and Joint Venture

Annual improvements to SFRS(I)s 2015-2017 Cycle

The adoption of the above SFRS(I) did not result in any substantial change to the Group's accounting policies or any significant impact on the financial statements except for the following:

SFRS(I) 16

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

The Group choose, on a lease-by-lease basis, to measure the right-of-use asset at either:

- i. its carrying amount as if SFRS(I) 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate as of 1 January 2019; or
- ii. an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 January 2019.

The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. At commencement date of a lease, a lessee will recognise a liability to make a lease payment (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to recognise separately the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Right-of-use assets are measured using the cost model and are carried at cost less accumulated depreciation and accumulated impairment loss, if any, subsequent to initial recognition. The carrying amount for lease liabilities subsequent to initial recognition would take into account interest on the lease liabilities, lease payments made and any reassessment or lease modifications.

6 Earnings per stock unit (cents)

	3 months ended		6 months ended	
	30/6/2019	30/6/2018	30/6/2019	30/6/2018
(a) Basic*:	1.3	1.7	2.5	3.1
(b) Diluted**:	1.3	1.7	2.5	3.1
(c) Weighted average number of stock units used in the computation of basic earnings per stock unit	637,520,399	637,520,399	637,520,399	637,520,399
(d) Weighted average number of stock units used in the computation of diluted earnings per stock unit	637,520,399	637,520,399	637,520,399	637,520,399

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

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

7 Net asset value per stock unit

	Group⁽¹⁾		Company	
	30/6/2019	31/12/2018	30/6/2019	31/12/2018
Net asset per ordinary stock unit based on the total number of issued stock units	\$3.12	\$3.13	\$2.54	\$2.55

(1) Based on total number of issued stock units excluding the number of stock units held by a subsidiary.

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

Overview

Q2 2019 compared with Q2 2018

Revenue decreased 8% to \$88.1 million in Q2 2019 from \$96.2 million in Q2 2018 mainly due to lower revenue contribution from manufacturing, engineering and property development. The decrease was partially mitigated by higher revenue contribution from property rental & hospitality. Gross profit increased marginally to \$43.5 million in Q2 2019.

Interest income increased 16% to \$1.5 million in Q2 2019 from \$1.3 million in Q2 2018 mainly due to notional interest income on interest-free loan to an associated company.

Other income decreased 70% to \$0.5 million in Q2 2019 from \$1.6 million in Q2 2018 mainly due to lower rebates and grants from government.

Distribution costs decreased 15% to \$4.9 million in Q2 2019 from \$5.8 million in Q2 2018 mainly due to lower selling and marketing expenses for overseas property development projects.

Finance costs increased 27% to \$7.3 million in Q2 2019 from \$5.7 million in Q2 2018 mainly due to higher interest rates and the accretion of interest on lease liabilities arising from the adoption of SFRS(I) 16 in 2019.

Other expenses increased 243% to \$2.1 million in Q2 2019 from \$0.6 million in Q2 2018 mainly due to the loss on sale of an investment property in China of \$0.6 million in Q2 2019 and the absence of write-back of excess provision of \$1.0 million in relation to completed overseas development project recorded in Q2 2018.

Share of profit from equity-accounted associates and joint ventures decreased 78% to \$0.3 million in Q2 2019 from \$1.4 million in Q2 2018 mainly due to lower contributions from the overseas associates.

Income tax expense increased 29% to \$2.2 million in Q2 2019 from \$1.7 million in Q2 2018. The lower income tax expense in Q2 2018 was mainly due to higher write-back of over provision of prior years' income tax.

6 months 2019 (6M 2019) compared with 6 months 2018 (6M 2018)

Revenue decreased 14% to \$173.4 million in 6M 2019 from \$201.4 million in 6M 2018 mainly due to lower revenue contribution from manufacturing, engineering and property development. Gross profit decreased 5% to \$84.7 million in 6M 2019.

Interest income increased 13% to \$2.4 million in 6M 2019 from \$2.1 million in 6M 2018 mainly due to notional interest income on interest-free loan to an associated company and higher interest income from fixed deposits.

Other income decreased 35% to \$1.3 million in 6M 2019 from \$2.0 million in 6M 2018 mainly due to lower rebates and grants from government.

Distribution costs decreased 17% to \$10.0 million in 6M 2019 from \$12.1 million in 6M 2018 mainly due to lower selling and marketing expenses for overseas property development projects.

Finance costs increased 25% to \$14.0 million in 6M 2019 from \$11.2 million in 6M 2018 mainly due to higher interest rates and the accretion of interest on lease liabilities arising from the adoption of SFRS(I) 16 in 2019.

Other expenses increased 80% to \$2.8 million in 6M 2019 from \$1.5 million in 6M 2018 mainly due to the loss on sale of an investment property in China of \$0.6 million in 6M 2019 and the absence of write-back of excess provision of \$1.0 million in relation to completed overseas development project recorded in 6M 2018.

Share of profit from equity-accounted associates and joint ventures decreased 21% to \$1.9 million in 6M 2019 from \$2.4 million in 6M 2018 mainly due to lower contributions from the overseas associates.

The Group's attributable profit decreased 25% to \$8.3 million in Q2 2019 from \$11.0 million in Q2 2018. For 6M 2019, attributable profit decreased 20% to \$16.1 million from \$20.0 million in 6M 2018.

Financial position review

Property, plant and equipment increased by approximately \$60 million mainly due to the recognition of right-of-use assets arising from the adoption of SFRS(I) 16.

Trade and other receivables decreased by approximately \$34 million mainly due to GST refund of \$22 million from the Inland Revenue Authority of Singapore in relation to the residential land parcel at Dairy Farm Road.

Total trade and other payables increased by approximately \$68 million mainly due to the recognition of lease liabilities arising from the adoption of SFRS(I) 16 and advances received from buyers of overseas residential development projects.

Cash flow review

As at 30 June 2019, the Group had cash and cash equivalents of approximately \$280 million. In 6M 2019, the Group incurred development expenditure of approximately \$45 million for its Singapore and China development projects. Separately, the Group utilised approximately \$19 million for dividend payment. Apart from this, the Group's components of cash flow and changes in these components from 31 December 2018 to 30 June 2019 were mainly due to the Group's other ongoing operations.

Operation review

Property Rental & Hospitality

Revenue increased 5% to \$32.9 million in Q2 2019 from \$31.2 million in Q2 2018 and 1% to \$63.4 million in 6M 2019 from \$62.5 million in 6M 2018. Operating profit before interest increased 10% to \$17.1 million in Q2 2019 from \$15.5 million in Q2 2018 and marginally to \$32.1 million in 6M 2019 from \$31.9 million in 6M 2018 mainly due to higher revenue and profit contribution from *UE BizHub Tower*.

Property Development

Revenue decreased 32% to \$6.7 million in Q2 2019 from \$9.9 million in Q2 2018 and 47% to \$11.9 million in 6M 2019 from \$22.6 million in 6M 2018 mainly due to lower revenue from the sale of property units from completed overseas development projects. Operating loss before interest was \$1.2 million in Q2 2019 compared with operating profit before interest of \$0.03 million in Q2 2018. Operating loss before interest was \$1.9 million in 6M 2019 compared with \$0.4 million in 6M 2018. The decline in the operating result for Q2 2019 and 6M 2019 was mainly due to lower revenue.

Engineering & Distribution

Revenue decreased 12% to \$19.7 million in Q2 2019 from \$22.4 million in Q2 2018 and 18% to \$43.0 million in 6M 2019 from \$52.3 million in 6M 2018 mainly due to lower revenue from the system integration operation. Operating profit before interest increased 22% to \$1.1 million in Q2 2019 from \$0.9 million in Q2 2018 mainly due to higher contribution from the distribution business. Operating profit before interest decreased 22% to \$2.8 million in 6M 2019 from \$3.6 million in 6M 2018 mainly due to lower revenue and profit contribution from the system integration business.

Manufacturing

Revenue decreased 20% to \$14.8 million in Q2 2019 from \$18.6 million in Q2 2018 and 19% to \$30.4 million in 6M 2019 from \$37.6 million in 6M 2018. Operating loss before interest was \$0.1 million in Q2 2019 compared with operating profit of \$0.9 million in Q2 2018. For 6M 2019 operating loss before interest was \$0.7 million compared with operating profit before interest of \$1.1 million in 6M 2018. The decline in operating results was mainly due to lower revenue, unfavorable product mix and a slower production ramp up for certain new products.

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

The Company did not make any forecast statement previously. The Group's Q2 2019 results are in line with the statement made in paragraph 10 of the Company's Q1 2019 results announcement on 14 May 2019.

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

The weaker economic outlook in Singapore coupled with the sustained impact of the property cooling measures, the last of which was announced in July 2018, may continue to weigh on the overall sentiment of the residential property markets in Singapore. The office rentals in Singapore may moderate against the backdrop of heightened trade tensions and global economic uncertainties.

The Group is on track to launch the Dairy Farm project for sale in the second half of 2019 and is continuing on asset enhancement initiatives for its investment properties in Singapore to further enhance the recurring rental income base. *UE BizHub Tower*, which has undergone refurbishment recently, has seen committed occupancy rate increased to more than 95%. The improvement work for the commercial block at *UE BizHub WEST* is scheduled to be completed by September 2019.

In China, the cooling measures and slower economic growth may pose challenges to the overall property market in the near term, but the demand for good quality housing remains and the residential property market may continue to see sustainable growth in the longer term. *Chengdu Orchard Villa* Phase 5 development, which is fully sold, is on track for handover by end of the year and construction work for Phase 6 has commenced.

As part of its growth strategy, the Group will continue to seek investment and partnership opportunities and will make selective property acquisitions as and when such opportunities arise.

11 Dividend

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

None.

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

None.

- (c) Date Payable

Not applicable.

- (d) Books closure date

Not applicable.

- 12 If no dividend has been declared/recommended, a statement to that effect and the reason(s) for the decision.

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

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

The Company did not obtain a general mandate from shareholders for interested party transactions.

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

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

BY ORDER OF THE BOARD

Gn Jong Yuh Gwendolyn

Secretary

14 August 2019

Confirmation by the Board

We, Zhong Sheng Jian and Tan Chee Keong Roy, being two directors of United Engineers Limited (the "Company"), do hereby confirm on behalf of the directors of the Company that, to the best of their knowledge, nothing has come to the attention of the board of directors of the Company which may render the Q2 2019 financial results to be false or misleading in any material aspect.

On behalf of the Board,

.....
Zhong Sheng Jian
Executive Chairman

.....
Tan Chee Keong Roy
Group Managing Director