



Q2 2017 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

	Group					
	3 months ended			6 months ended		
	30/6/2017	30/6/2016⁽¹⁾	Change	30/6/2017	30/6/2016⁽¹⁾	Change
	\$000	\$000	(%)	\$000	\$000	(%)
<u>Continuing operations</u>						
Revenue	121,914	111,658	9	223,281	256,462	(13)
Cost of sales	(74,686)	(65,379)	14	(131,327)	(158,657)	(17)
Gross profit	47,228	46,279	2	91,954	97,805	(6)
Other items of income						
Interest income	774	273	184	1,621	695	133
Other income	46,177	5,346	764	47,064	6,443	630
Other items of expense						
Distribution costs	(7,696)	(7,607)	1	(14,750)	(14,741)	–
Administrative expenses	(26,416)	(24,155)	9	(49,136)	(49,044)	–
Finance costs	(5,311)	(9,019)	(41)	(11,688)	(19,092)	(39)
Other expenses	(9,108)	(1,388)	556	(11,166)	(2,925)	282
Operating profit	45,648	9,729	369	53,899	19,141	182
Share of profit from equity-accounted associates and joint ventures	1,679	1,303	29	2,232	2,939	(24)
Profit before tax from continuing operations	47,327	11,032	329	56,131	22,080	154
Income tax expense	(5,865)	(135)	NM	(7,493)	(1,603)	367
Profit from continuing operations, net of tax	41,462	10,897	280	48,638	20,477	138
<u>Discontinued operations⁽²⁾</u>						
Loss from discontinued operations, net of tax	–	(15,339)	NM	–	(25,498)	NM
Profit/(loss) net of tax	41,462	(4,442)	NM	48,638	(5,021)	NM
Profit/(loss) attributable to:						
Owners of the Company						
- Continuing operations, net of tax	45,269	11,243	303	53,588	20,712	159
- Discontinued operations, net of tax	–	(8,375)	NM	–	(10,902)	NM
	45,269	2,868	NM	53,588	9,810	446
Non-controlling interests						
- Continuing operations, net of tax	(3,807)	(346)	NM	(4,950)	(235)	NM
- Discontinued operations, net of tax	–	(6,964)	NM	–	(14,596)	NM
	(3,807)	(7,310)	(48)	(4,950)	(14,831)	(67)

NM: Not meaningful

⁽¹⁾ The comparative figures have been re-presented to report separately profit and loss items for continuing and discontinued operations.

⁽²⁾ Discontinued operations relate to Multi-Fineline Electronix, Inc. and its subsidiaries and the Group's Environmental Engineering businesses.

1(a)(ii) Continuing operations - Other information

	Group			
	3 months ended		6 months ended	
	30/6/2017	30/6/2016	30/6/2017	30/6/2016
	\$000	\$000	\$000	\$000
Depreciation and amortisation	(4,661)	(4,512)	(9,241)	(9,100)
Foreign exchange gain/(loss)	69	(96)	(601)	(254)
Gain on disposal of available-for-sale financial assets	–	3,888	–	3,888
Inventories written-down	(113)	(120)	(118)	(336)
(Loss)/gain on disposal of property, plant and equipment	(8)	46	(22)	29
Over/(under) provision of prior years' tax	47	1,335	(150)	1,339
Properties held for sale written-down	(8,902)	–	(8,902)	–
Reversal of impairment loss/(impairment loss) on trade receivables	513	(35)	100	(74)
Surplus on revaluation of investment properties	45,400	–	45,400	–

1(a)(iii) Statement of comprehensive income

	Group			
	3 months ended		6 months ended	
	30/6/2017	30/6/2016	30/6/2017	30/6/2016
	\$000	\$000	\$000	\$000
Profit/(loss) net of tax for the period	41,462	(4,442)	48,638	(5,021)
Other comprehensive income				
Items that may be reclassified subsequently to income statement:				
Gains/(losses) on exchange differences on translation, net of tax	2,623	(25,489)	(11,599)	(68,297)
Gains/(losses) on remeasuring available-for-sale financial assets, net of tax	2,821	(297)	4,009	–
Share of other comprehensive income from equity-accounted associates, net of tax	(785)	(470)	(433)	(1,189)
Other comprehensive income for the period, net of tax	4,659	(26,256)	(8,023)	(69,486)
Total comprehensive income for the period	46,121	(30,698)	40,615	(74,507)
Attributable to:				
Owners of the Company	49,226	(12,315)	49,239	(28,651)
Non-controlling interests	(3,105)	(18,383)	(8,624)	(45,856)
	46,121	(30,698)	40,615	(74,507)

1(b)(i) Statements of financial position

	Group		Company	
	30/6/2017	31/12/2016	30/6/2017	31/12/2016
	\$000	\$000	\$000	\$000
ASSETS				
Non-current assets				
Property, plant and equipment	159,268	162,909	22,502	22,735
Investment properties	1,908,549	1,859,418	722,403	679,500
Intangible assets	4,735	4,704	–	–
Interests in subsidiaries	–	–	956,531	1,005,749
Interests in associates	113,478	112,619	332	337
Interests in joint ventures	44,260	45,478	–	–
Deferred tax assets	32,730	46,162	–	–
Other investments	29,078	25,069	1,130	1,130
Total non-current assets	2,292,098	2,256,359	1,702,898	1,709,451
Current assets				
Inventories	29,141	31,146	–	–
Income tax receivables	342	352	–	–
Trade and other receivables	94,537	217,492	3,909	4,259
Gross amount due from customers for contract work	16,123	13,466	–	–
Prepayments	10,078	8,131	951	1,538
Properties held for sale	638,084	654,315	–	–
Bank balances and deposits	334,692	623,976	60,453	420,959
Total current assets	1,122,997	1,548,878	65,313	426,756
Total assets	3,415,095	3,805,237	1,768,211	2,136,207
EQUITY AND LIABILITIES				
Equity				
Share capital	745,701 ⁽¹⁾	745,625 ⁽¹⁾	808,014	807,938
Retained earnings	1,147,109	1,167,482	776,513	802,687
Other reserves	(34,409)	(30,100)	3,981	3,981
Equity attributable to owners of the Company	1,858,401	1,883,007	1,588,508	1,614,606
Non-controlling interests	303,055	311,885	–	–
Total equity	2,161,456	2,194,892	1,588,508	1,614,606
Non-current liabilities				
Provisions	60,662	70,204	–	–
Deferred tax liabilities	54,044	75,188	–	–
Trade and other payables	1,849	4,300	–	–
Borrowings	517,412	896,720	150,000	150,000
Total non-current liabilities	633,967	1,046,412	150,000	150,000
Current liabilities				
Provisions	21,249	17,005	–	–
Income tax payable	41,025	31,679	4,372	4,303
Trade and other payables	221,436	218,839	25,331	117,275
Borrowings	333,107	294,728	–	250,023
Gross amount due to customers for contract work	2,855	1,682	–	–
Total current liabilities	619,672	563,933	29,703	371,601
Total liabilities	1,253,639	1,610,345	179,703	521,601
Total equity and liabilities	3,415,095	3,805,237	1,768,211	2,136,207

⁽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 30/6/2017		As at 31/12/2016	
\$000	\$000	\$000	\$000
Secured	Unsecured	Secured	Unsecured
314,697	18,410	32,057	262,671

- (b) Amount repayable after one year

As at 30/6/2017		As at 31/12/2016	
\$000	\$000	\$000	\$000
Secured	Unsecured	Secured	Unsecured
367,412	150,000	746,720	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	
	30/6/2017 \$000	30/6/2016 \$000	30/6/2017 \$000	30/6/2016 \$000
Cash flows from operating activities				
Profit before tax from continuing operations	47,327	11,032	56,131	22,080
Loss before tax from discontinued operations	-	(15,292)	-	(24,695)
Profit/(loss) before tax	47,327	(4,260)	56,131	(2,615)
Amortisation of intangible assets	493	516	950	1,121
Depreciation of property, plant and equipment	4,168	17,617	8,291	35,771
Dividend income from other investments	(550)	(487)	(857)	(663)
Finance costs	5,311	9,262	11,688	19,612
Gain on disposal of available-for-sale financial assets	-	(3,888)	-	(3,888)
Impairment loss on intangible assets	-	-	73	-
Interest income	(774)	(873)	(1,621)	(2,008)
Loss/(gain) on disposal of property, plant and equipment	8	(781)	22	(430)
Inventories written-down/(written-back)	113	(3,485)	118	(621)
Properties held for sale written-down	8,902	-	8,902	-
Property, plant and equipment written-off/(written-back)	53	(26)	55	56
Share-based compensation expenses	-	1,247	-	2,701
Share of profit from equity-accounted associates and joint ventures	(1,679)	(1,431)	(2,232)	(3,721)
Surplus on revaluation of investment properties	(45,400)	-	(45,400)	-
Unrealised foreign exchange (gain)/loss	(1,882)	17,239	3,017	2,530
Operating cash flows before changes in working capital	16,090	30,650	39,137	47,845
Decrease/(increase) in properties held for sale	3,850	(27,371)	(3,364)	(35,293)
Proceeds from progress billings from properties held for sale	14,434	3,493	24,338	379,773
Decrease in trade and other payables and provisions	(19,116)	(15,241)	(25,990)	(86,528)
Decrease/(increase) in trade and other receivables	820	18,364	120,369	(87,307)
(Increase)/decrease in gross amount due from customers for contract work	(2,932)	(1,730)	(2,658)	5,956
Increase/(decrease) in gross amount due to customers for contract work	646	(10,933)	1,173	1,588
Decrease in inventories	4,576	19,909	1,887	25,457
Cash flows from operations	18,368	17,141	154,892	251,491
Income taxes paid	(5,171)	(3,619)	(6,479)	(17,090)
Interest paid	(6,253)	(6,524)	(15,187)	(19,776)
Interest received	724	813	2,273	2,092
Net cash flows from operating activities	7,668	7,811	135,499	216,717

1(c) Statement of cash flows (continued)

	Group			
	3 months ended		6 months ended	
	30/6/2017	30/6/2016	30/6/2017	30/6/2016
	\$000	\$000	\$000	\$000
Cash flows from investing activities				
Acquisition of intangible assets	(320)	(230)	(1,053)	(369)
Acquisition of non-controlling interests	–	(220)	–	(2,903)
Change in restricted deposits	–	63,979	–	62,548
Dividends received from associates	465	–	1,254	–
Dividends received from joint ventures	–	150	–	150
Dividends received from other investments	550	487	857	663
Decrease in amounts due from associates and joint ventures	47	12,965	147	14,034
Acquisition of interests in an associate	(331)	–	(331)	–
Proceeds from disposal of other investments	–	4,011	–	4,011
Proceeds from disposal of property, plant and equipment	60	858	70	1,129
Purchase of property, plant and equipment	(3,671)	(25,067)	(5,719)	(35,021)
Subsequent expenditure on investment properties	(3,754)	(460)	(3,787)	(833)
Net cash flows (used in)/from investing activities	(6,954)	56,473	(8,562)	43,409
Cash flows from financing activities				
Decrease in trust receipts and bills payable	(1,144)	(2,280)	(853)	(1,508)
Cash distribution paid to non-controlling interests of subsidiaries	–	(12,586)	(206)	(12,586)
Dividends paid	(73,961)	(49,311)	(73,961)	(49,311)
Dividends paid to non-controlling interests of subsidiaries	–	(18,722)	–	(18,722)
(Decrease)/increase in short-term loans	(3,321)	16,271	(9,021)	(44,674)
Proceeds from issuance of shares upon exercise of share options	–	84	76	84
Proceeds from issuance of medium term notes	–	150,000	–	150,000
Proceeds from long-term loans	185,756	24,352	185,756	40,026
Repayment of medium term notes	–	–	(246,773)	–
Repayment of long-term loans	(277,686)	(162,069)	(277,686)	(325,925)
Net cash flows used in financing activities	(170,356)	(54,261)	(422,668)	(262,616)
Net (decrease)/increase in cash and cash equivalents	(169,642)	10,023	(295,731)	(2,490)
Cash and cash equivalents, beginning balance	495,995	454,912	623,976	481,579
Effect of exchange rate changes on cash and cash equivalents	690	(2,547)	(1,202)	(16,701)
Cash and cash equivalents, ending balance	327,043	462,388	327,043	462,388
Cash and cash equivalents comprise:				
Bank balances and deposits	334,692	181,032	334,692	181,032
Bank balances and deposits attributable to discontinued operations	–	285,638	–	285,638
Bank overdrafts	(7,649)	(4,282)	(7,649)	(4,282)
Cash and cash equivalents	327,043	462,388	327,043	462,388

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

	Attributable to owners of the Company						
	Total equity	Equity attributable to owners of the Company	Share capital	Treasury shares	Retained earnings	Other reserves	Non-controlling interests
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Opening balance at 1/1/2017	2,194,892	1,883,007	807,938	(62,313)	1,167,482	(30,100)	311,885
Profit/(loss) for the period	7,176	8,319	–	–	8,319	–	(1,143)
Losses on exchange differences on translation, net of tax	(14,222)	(9,846)	–	–	–	(9,846)	(4,376)
Gains on remeasuring available-for-sale financial assets, net of tax	1,188	1,188	–	–	–	1,188	–
Share of other comprehensive income from equity-accounted associate, net of tax	352	352	–	–	–	352	–
Other comprehensive income for the period	(12,682)	(8,306)	–	–	–	(8,306)	(4,376)
Total comprehensive income for the period	(5,506)	13	–	–	8,319	(8,306)	(5,519)
Contributions by and distributions to owners							
Ordinary shares issued on exercise of share options converted into ordinary stocks	76	76	76	–	–	–	–
Cash distribution paid to non-controlling interests of subsidiaries	(206)	–	–	–	–	–	(206)
	(130)	76	76	–	–	–	(206)
Changes in ownership interests in subsidiaries							
Employee share option scheme/ share appreciation rights:							
- value of employee services	21	21	–	–	–	21	–
Total changes in ownership interests in subsidiaries	21	21	–	–	–	21	–
Total transactions with owners in their capacity as owners	(109)	97	76	–	–	21	(206)
Closing balance at 31/3/2017	2,189,277	1,883,117	808,014	(62,313)	1,175,801	(38,385)	306,160

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

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
Profit/(loss) for the period	41,462	45,269	–	–	45,269	–	(3,807)
Gains on exchange differences on translation, net of tax	2,623	1,921	–	–	–	1,921	702
Gains on remeasuring available-for-sale financial assets, net of tax	2,821	2,821	–	–	–	2,821	–
Share of other comprehensive income from equity-accounted associate, net of tax	(785)	(785)	–	–	–	(785)	–
Other comprehensive income for the period	4,659	3,957	–	–	–	3,957	702
Total comprehensive income for the period	46,121	49,226	–	–	45,269	3,957	(3,105)
Contributions by and distributions to owners							
Dividends paid	(73,961)	(73,961)	–	–	(73,961)	–	–
Total contributions by and distributions to owners	(73,961)	(73,961)	–	–	(73,961)	–	–
Changes in ownership interests in subsidiaries							
Employee share option scheme/share appreciation rights:							
- value of employee services	19	19	–	–	–	19	–
Total changes in ownership interests in subsidiaries	19	19	–	–	–	19	–
Total transactions with owners in their capacity as owners	(73,942)	(73,942)	–	–	(73,961)	19	–
Closing balance at 30/6/2017	2,161,456	1,858,401	808,014	(62,313)	1,147,109	(34,409)	303,055

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 1/1/2016	2,387,467	1,830,603	807,519	(62,313)	1,078,829	6,568	556,864
(Loss)/profit for the period	(579)	6,942	—	—	6,942	—	(7,521)
Losses on exchange differences on translation, net of tax	(42,808)	(22,856)	—	—	—	(22,856)	(19,952)
Gains on remeasuring available-for-sale financial assets, net of tax	297	297	—	—	—	297	—
Share of other comprehensive income from equity-accounted associate, net of tax	(719)	(719)	—	—	—	(719)	—
Other comprehensive income for the period	(43,230)	(23,278)	—	—	—	(23,278)	(19,952)
Total comprehensive income for the period	(43,809)	(16,336)	—	—	6,942	(23,278)	(27,473)
Contributions by and distributions to owners							
Cash distribution paid to non-controlling interests of subsidiaries	(12,586)	—	—	—	—	—	(12,586)
	(12,586)	—	—	—	—	—	(12,586)
Changes in ownership interests in subsidiaries							
Additional interests in subsidiaries	(2,683)	1,169	—	—	—	1,169	(3,852)
Dilution of interests in subsidiaries	(55)	(4,673)	—	—	—	(4,673)	4,618
Employee share option scheme/ share appreciation rights: - value of employee services	1,356	707	—	—	—	707	649
Total changes in ownership interests in subsidiaries	(1,382)	(2,797)	—	—	—	(2,797)	1,415
Total transactions with owners in their capacity as owners	(13,968)	(2,797)	—	—	—	(2,797)	(11,171)
Closing balance at 31/3/2016	2,329,690	1,811,470	807,519	(62,313)	1,085,771	(19,507)	518,220

1(d)(i) Statements of changes in equity (continued)
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
(Loss)/profit for the period	(4,442)	2,868	–	–	2,868	–	(7,310)
Losses on exchange differences on translation, net of tax	(25,489)	(14,416)	–	–	–	(14,416)	(11,073)
Losses on remeasuring available-for-sale financial assets, net of tax	(297)	(297)	–	–	–	(297)	–
Share of other comprehensive income from equity-accounted associate, net of tax	(470)	(470)	–	–	–	(470)	–
Other comprehensive income for the period	(26,256)	(15,183)	–	–	–	(15,183)	(11,073)
Total comprehensive income for the period	(30,698)	(12,315)	–	–	2,868	(15,183)	(18,383)
Contributions by and distributions to owners							
Ordinary shares issued on exercise of share options converted into ordinary stocks	84	84	84	–	–	–	–
Dividends paid	(49,311)	(49,311)	–	–	(49,311)	–	–
Dividend paid to non-controlling interests	(18,722)	–	–	–	–	–	(18,722)
Total contributions by and distributions to owners	(67,949)	(49,227)	84	–	(49,311)	–	(18,722)
Changes in ownership interests in subsidiaries							
Additional interests in subsidiaries	(220)	91	–	–	–	91	(311)
Dilution of interests in subsidiaries	(11)	(269)	–	–	–	(269)	258
Employee share option scheme/share appreciation rights:							
- value of employee services	1,256	699	–	–	–	699	557
Total changes in ownership interests in subsidiaries	1,025	521	–	–	–	521	504
Total transactions with owners in their capacity as owners	(66,924)	(48,706)	84	–	(49,311)	521	(18,218)
Closing balance at 30/6/2016	2,232,068	1,750,449	807,603	(62,313)	1,039,328	(34,169)	481,619

1(d)(i) Statements of Changes in Equity (continued)

COMPANY

	Total equity	Share capital	Retained earnings	Other reserves
	\$000	\$000	\$000	\$000
Opening balance at 1/1/2017	1,614,606	807,938	802,687	3,981
Profit for the period	3,777	–	3,777	–
Total comprehensive income for the period	3,777	–	3,777	–
Contributions by and distributions to owners				
Ordinary shares issued on exercise of share options converted into ordinary stocks	76	76	–	–
Total transactions with owners in their capacity as owners	76	76	–	–
Closing balance at 31/3/2017	1,618,459	808,014	806,464	3,981
Profit for the period	46,616	–	46,616	–
Total comprehensive income for the period	46,616	–	46,616	–
Contributions by and distributions to owners				
Dividends paid	(76,567)	–	(76,567)	–
Total transactions with owners in their capacity as owners	(76,567)	–	(76,567)	–
Closing balance at 30/6/2017	1,588,508	808,014	776,513	3,981
Opening balance at 1/1/2016	1,596,542	807,519	785,094	3,929
Profit for the period	6,357	–	6,357	–
Total comprehensive income for the period	6,357	–	6,357	–
Closing balance at 31/3/2016	1,602,899	807,519	791,451	3,929
Profit for the period	7,017	–	7,017	–
Total comprehensive income for the period	7,017	–	7,017	–
Contributions by and distributions to owners				
Ordinary shares issued on exercise of share options converted into ordinary stocks	84	84	–	–
Dividends paid	(51,048)	–	(51,048)	–
Total transactions with owners in their capacity as owners	(50,964)	84	(51,048)	–
Closing balance at 30/6/2016	1,558,952	807,603	747,420	3,929

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

During Q2 2017, there was no ordinary stock unit issued arising from the exercising of the options under the United Engineers Share Option Scheme 2000 (Scheme 2000).

During the first 6 months of 2017, the Company issued 55,686 ordinary stock units arising from the exercising of the options under Scheme 2000.

As at 30 June 2017, there were 165,721 (30 June 2016: 595,564) unexercised options for ordinary shares under Scheme 2000.

<u>Share capital</u>	30/6/2017	30/6/2016
Number of issued stock units	637,508,148	637,276,493
Number of issued stock units (excluding subsidiary holdings)	615,796,148	615,564,493
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 2017, the Company's issued and paid-up ordinary share capital excluding treasury shares was 637,508,148 ordinary stock units (31 December 2016: 637,452,462).

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

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

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

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

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

The consolidated financial information of the Group for the 6 months ended 30 June 2017 as set out in Sections 1(a), 1(b)(i) and 1(c) to 1(d)(i) of this announcement have been extracted from the interim condensed financial statements that has been prepared in accordance with Singapore Financial Reporting Standard 34 Interim Financial Reporting, which has been reviewed by the independent auditor in accordance with Singapore Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity ("SSRE 2410"). The results for the 2nd quarter ended 30 June 2017, 2nd quarter ended 30 June 2016 and the 6 months ended 30 June 2016 have not been audited or reviewed.

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

Please refer to the independent auditor's review report dated 11 August 2017 appended to this announcement.

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

Other than as mentioned in Paragraph 5 regarding the adoption of amendments to Financial Reporting Standards (FRS), 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 2016.

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 amendments to the FRS that are effective for annual financial periods beginning on or after 1 January 2017.

Amendments to FRS 7 Disclosure Initiative

The adoption of the above amendments to the FRS did not result in any substantial change to the Group's accounting policies or any significant impact on the financial statements.

6 Earnings per stock unit (cents)

	3 months ended		6 months ended	
	30/6/2017	30/6/2016	30/6/2017	30/6/2016
(a) Basic*:	7.1	0.4	8.4	1.5
(b) Diluted**:	7.1	0.4	8.4	1.5
<u>Continuing operations</u>				
(a) Basic*:	7.1	1.8	8.4	3.2
(b) Diluted**:	7.1	1.8	8.4	3.2
(c) Weighted average number of stock units used in the computation of basic earnings per stock unit	637,508,148	637,276,493	637,508,148	637,252,548
(d) Weighted average number of stock units used in the computation of diluted earnings per stock unit	637,514,461	637,309,844	637,514,415	637,294,887

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

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

7 Net asset value per stock unit

	Group		Company	
	30/6/2017	31/12/2016	30/6/2017	31/12/2016
Net asset per ordinary stock unit based on the total number of issued shares	\$3.02⁽¹⁾	\$3.06 ⁽¹⁾	\$2.49	\$2.53

⁽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 2017 compared with Q2 2016

Revenue increased 9% to \$121.9 million in Q2 2017 from \$111.7 million in Q2 2016. This was mainly due to higher revenue from sales of property units in China. As a result, gross profit increased 2% to \$47.2 million in Q2 2017.

Interest income increased to \$0.8 million in Q2 2017 from \$0.3 million in Q2 2016 mainly due to higher interest income from fixed deposits.

Other income increased to \$46.2 million in Q2 2017 from \$5.3 million in Q2 2016 mainly due to revaluation gains of \$45.4 million from the Group's investment properties, which was partially offset by the absence of a gain of \$3.9 million recorded in Q2 2016 in relation to the disposal of an available-for-sale financial asset.

Finance costs decreased 41% to \$5.3 million in Q2 2017 from \$9.0 million in Q2 2016 mainly due to lower borrowings.

Other expenses increased to \$9.1 million in Q2 2017 from \$1.4 million in Q2 2016 mainly due to impairment loss in relation to *Shenyang Orchard Summer Palace* project.

Share of profit from equity-accounted associates and joint ventures increased 29% to \$1.7 million in Q2 2017 from \$1.3 million in Q2 2016. The higher share of profit in Q2 2017 was mainly due to higher contribution from the overseas associates.

Income tax expense increased to \$5.9 million in Q2 2017 from \$0.1 million in Q2 2016. The higher income tax expense in Q2 2017 was mainly due to higher losses incurred by certain overseas subsidiaries which were not available for group relief. The lower income tax expense in Q2 2016 was mainly due to the write-back of over provision of prior years' income tax.

6 months 2017 (6M 2017) compared with 6 months 2016 (6M 2016)

Revenue decreased 13% to \$223.3 million in 6M 2017 from \$256.5 million in 6M 2016 mainly due to lower revenue from property development following the completion of *Eight Riversuites* in 2016. As a result, gross profit decreased 6% to \$92.0 million in 6M 2017.

Interest income increased to \$1.6 million in 6M 2017 from \$0.7 million in 6M 2016 mainly due to higher interest income from fixed deposits.

Other income increased to \$47.1 million in 6M 2017 from \$6.4 million in 6M 2016 mainly due to revaluation gains of \$45.4 million from the Group's investment properties, which was partially offset by the absence of a gain of \$3.9 million recorded in 6M 2016 in relation to the disposal of an available-for-sale financial asset.

Finance costs decreased 39% to \$11.7 million in 6M 2017 from \$19.1 million in 6M 2016 mainly due to lower borrowings.

Other expenses increased to \$11.2 million in 6M 2017 from \$2.9 million in 6M 2016 mainly due to impairment loss in relation to *Shenyang Orchard Summer Palace* project.

Share of profit from equity-accounted associates and joint ventures decreased 24% to \$2.2 million in 6M 2017 from \$2.9 million in 6M 2016 mainly due to lower contribution from the overseas associates and joint ventures.

Income tax expense increased to \$7.5 million in 6M 2017 from \$1.6 million in 6M 2016. The higher income tax expense in 6M 2017 was mainly due to higher losses incurred by certain overseas subsidiaries which were not available for group relief. The lower income tax expense in 6M 2016 was mainly due to the write-back of over provision of prior years' income tax.

The Group's attributable profit on continuing operations increased to \$45.3 million in Q2 2017 from \$11.2 million in Q2 2016. For 6M 2017, attributable profit on continuing operations increased to \$53.6 million in 6M 2017 from \$20.7 million in 6M 2016.

Financial position review

- Current trade and other receivables decreased by \$123 million mainly due to the collection of balance receivables from *Eight Riversuites* project upon obtaining the Certificate of Statutory Completion.
- Total borrowings decreased by \$341 million mainly due to:
 - the repayment of the \$250 million 4.2% p.a. fixed rate notes previously issued pursuant to the \$500 million Multicurrency Medium Term Note Programme; and
 - the partial repayment of bank loan by a subsidiary.

Cash flow review

As at 30 June 2017, the Group had cash and cash equivalents of \$327 million. In 6M 2017, the Group received approximately \$116 million mainly from the collection of remaining receivables upon obtaining the Certificate of Statutory Completion for *Eight Riversuites* project. Separately, the Group utilised \$74 million for dividend payments and \$533 million for the repayment of external borrowings. Apart from the above, the Group's components of cash flow and changes in these components from 31 December 2016 to 30 June 2017 were mainly due to the Group's other ongoing operations.

Operation review

Property Rental & Hospitality

Revenue decreased 2% to \$32.8 million in Q2 2017 from \$33.3 million in Q2 2016 and 2% to \$65.6 million in 6M 2017 from \$67.2 million in 6M 2016. Operating profit before interest increased 176% to \$59.6 million in Q2 2017 from \$21.6 million in Q2 2016 and increased 93% to \$76.8 million in 6M 2017 from \$39.7 million in 6M 2016 mainly due to revaluation gains from the Group's investment properties. The higher operating profit was partially offset by lower contribution from *UE Bizhub Tower* and *UE Bizhub West* as well as the absence of a gain of \$3.9 million recorded in Q2 2016 in relation to the disposal of an available-for-sale financial asset.

Property Development

Revenue increased 145% to \$18.6 million in Q2 2017 from \$7.6 million in Q2 2016 mainly due to higher revenue from the China's operations. Revenue decreased 48% to \$26.8 million in 6M 2017 from \$51.3 million in 6M 2016 mainly due to lower revenue recognition from the property sales at *Eight Riversuites*. Operating loss before interest increased 200% to \$10.8 million in Q2 2017 from \$3.6 million in Q2 2016 and 245% to \$13.8 million in 6M 2017 from \$4.0 million in 6M 2016 mainly due to impairment loss on *Shenyang Orchard Summer Palace* project and lower profit contribution from *Eight Riversuites*.

Engineering & Distribution

Revenue increased 4% to \$35.0 million in Q2 2017 from \$33.5 million in Q2 2016 mainly due to higher revenue from the system integration business in Malaysia which was in turn, partially offset by lower distribution revenue. Despite higher revenue from the Engineering division, revenue for 6M 2017 decreased 2% to \$62.8 million from \$64.0 million in 6M 2016 mainly due to reduction in distribution revenue. Operating profit before interest decreased 44% to \$1.4 million in Q2 2017 from \$2.5 million in Q2 2016 and 53% to \$2.2 million in 6M 2017 from \$4.7 million in 6M 2016 mainly due to lower profit contribution from the Distribution division.

Manufacturing

Revenue decreased 5% to \$20.9 million in Q2 2017 from \$22.1 million in Q2 2016 and 5% to \$42.2 million in 6M 2017 from \$44.5 million in 6M 2016. Operating profit before interest decreased 26% to \$1.4 million in Q2 2017 from \$1.9 million in Q2 2016 and 41% to \$2.2 million in 6M 2017 from \$3.7 million in 6M 2016 mainly due to lower revenue and foreign exchange loss.

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 2017 results are in line with the statement made in paragraph 10 of the Company's Q1 2017 results announcement on 12 May 2017.

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.

Global economic and geopolitical uncertainties may continue to weigh on the sentiment of the property market in Singapore amidst early signs of an inflexion in the office and residential markets. Hence, the Group is likely to face some downward pressure on rental income in Singapore. The Group's China Property division continues to operate in challenging conditions against the backdrop of slower economic growth and patchy recovery in the property market in Shenyang, Liaoning Province. Nonetheless, Chengdu Orchard Villa Phase 4 development which is almost fully sold will contribute to the Group's performance over the next 12 months.

Subsequent event

On 13 July 2017, United Overseas Bank Limited ("UOB"), for and on behalf of Yanlord Perennial Investment (Singapore) Pte. Ltd. (the "Offeror") announced that:

- (1) a mandatory conditional cash offer (the "UEL Ordinary Share Offer") for all the issued and paid-up ordinary stock units in the capital of United Engineers Limited (the "Company"), other than those already owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with the Offeror, at \$2.60 per ordinary stock unit;
- (2) a comparable offer for all the issued and paid-up preference shares in the capital of the Company, other than those already owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with the Offeror, at \$2.60 per preference share (the "UEL Preference Share Offer"); and
- (3) (in the event that the UEL Ordinary Share Offer becomes unconditional as to acceptances or the Offeror acquires statutory control of the Company) the mandatory unconditional cash offer to be made by the Offeror pursuant to the chain principle for all the issued and paid-up ordinary shares in the capital of WBL Corporation Limited, other than those already owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with the Offeror, at \$2.07 per ordinary share.

On 1 August 2017, UOB, for and on behalf of the Offeror, issued the formal document in relation to the UEL Ordinary Share Offer and the UEL Preference Share Offer.

11 Dividend

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

None.
- (b) Corresponding period of the immediately preceding financial year
Any dividend declared for the corresponding period of the immediately preceding financial year?

None.
- (c) Date Payable

Not applicable.
- (d) Books closure date

Not applicable.

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

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

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

The Company has obtained a general mandate from shareholders for interested person transactions (IPTs) at the Annual General Meeting held on 25 April 2017. There was no IPT with amount exceeding \$100,000 for the period ended 30 June 2017.

- 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

Tan Swee Hong
Secretary
11 August 2017

Confirmation by the Board

We, Tan Ngiap Joo and Norman Ip Ka Cheung, 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 2017 and 6M 2017 financial results to be false or misleading in any material aspect.

On behalf of the Board,

.....
TAN NGIAP JOO
Chairman

.....
NORMAN IP KA CHEUNG
Group Managing Director

Responsibility Statement

The directors of the Company (including those who have delegated detailed supervision of this announcement) have taken all reasonable care to ensure that the facts stated and all opinions expressed in this announcement are fair and accurate and that no material facts have been omitted from this announcement (the omission of which would render any statement in this announcement misleading in any material aspect), and they jointly and severally accept responsibility accordingly.

Where any information has been extracted or reproduced from published or otherwise publicly available sources (including, without limitation, the Offer Announcement and the Offer Document), the sole responsibility of the directors of the Company has been to ensure through reasonable enquiries that such information is accurately extracted from such sources or, as the case may be, reflected or reproduced in this announcement.

UNITED ENGINEERS LIMITED AND ITS SUBSIDIARIES

Independent Auditor's Review Report on Unaudited Interim Condensed Consolidated Financial Statements of United Engineers Limited and its Subsidiaries for the six months ended 30 June 2017

To the Members of United Engineers Limited

Report on review of interim financial information

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of United Engineers Limited as at 30 June 2017 and the related interim condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with Singapore Financial Reporting Standard FRS 34 *Interim Financial Reporting* (FRS 34). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review

We conducted our review in accordance with Singapore Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Singapore Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with FRS 34.



Ernst & Young LLP

Public Accountants and Chartered Accountants
Singapore

11 August 2017