United Engineers Limited

A NEW SKYLINE OF GROWTH

ANNUAL REPORT 2015



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CORPORATE PROFILE

VISION

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

MISSION

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

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, engineering and distribution, as well as technology and manufacturing today.

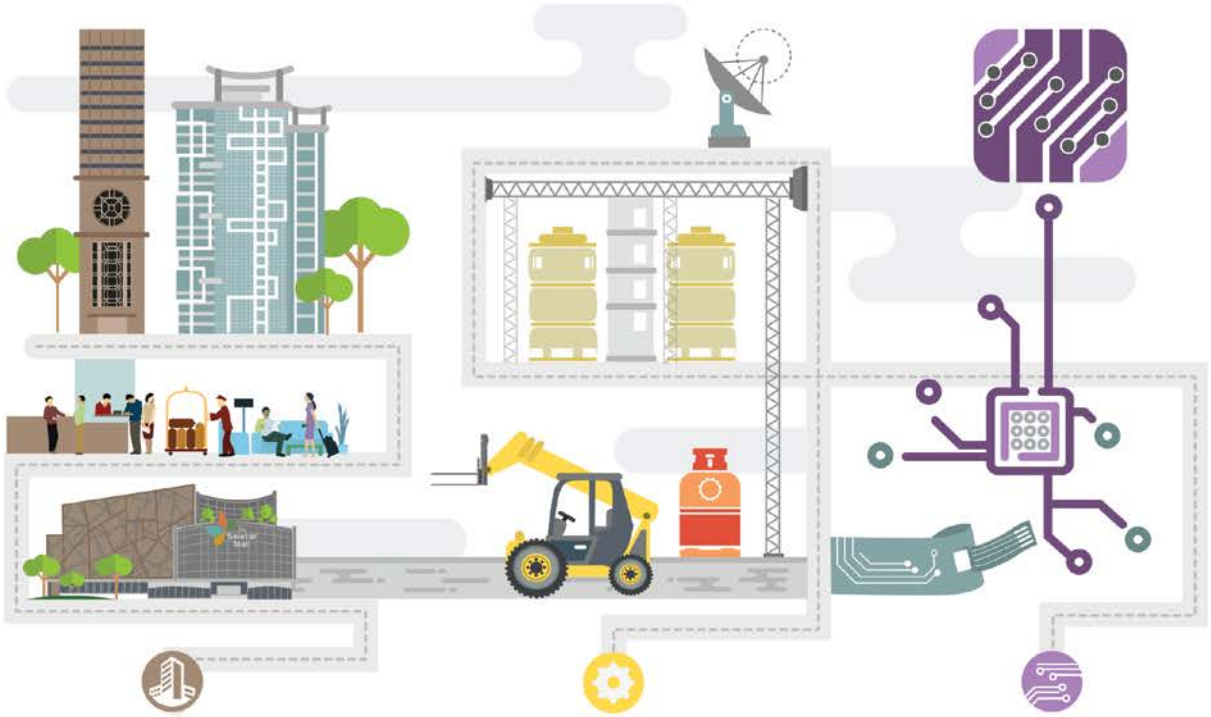
The Group has developed numerous iconic buildings that define the Singapore landscape, including *orchardgateway*, *UE BizHub CITY* (formerly known as *UE Square*), *UE BizHub EAST*, as well as the mixed-use development at one-north comprising *The Rochester*, *Rochester Mall* and *Park Avenue Rochester*.

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* 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.



BUSINESS MODEL



PROPERTY

PROPERTY DEVELOPMENT

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

PROPERTY RENTAL & SERVICES

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

HOSPITALITY

- Hotels
- Serviced apartments
- Serviced offices
- Convention centre

ENGINEERING & DISTRIBUTION*

ENVIRONMENTAL ENGINEERING

- Engineering, Procurement and Construction for water-related and waste-to-energy projects
- Build-operate-transfer assets for medical waste and waste water treatment in China

SYSTEMS INTEGRATION

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

DISTRIBUTION

- Construction materials
- Laundry and boiler equipment
- Automotive parts
- Construction and marine equipment
- Liquefied petroleum gas (LPG)
- Sand mining

TECHNOLOGY & MANUFACTURING

TECHNOLOGY MANUFACTURING

- Manufacture of flexible printed circuits and rigid printed circuit boards

PRECISION ENGINEERING

- Manufacture of die-cast precision parts and components as well as provision of turnkey manufacturing solutions

* Classified under Corporate Services & Others in the Financial Statements

BUSINESS PRESENCE

PROPERTY

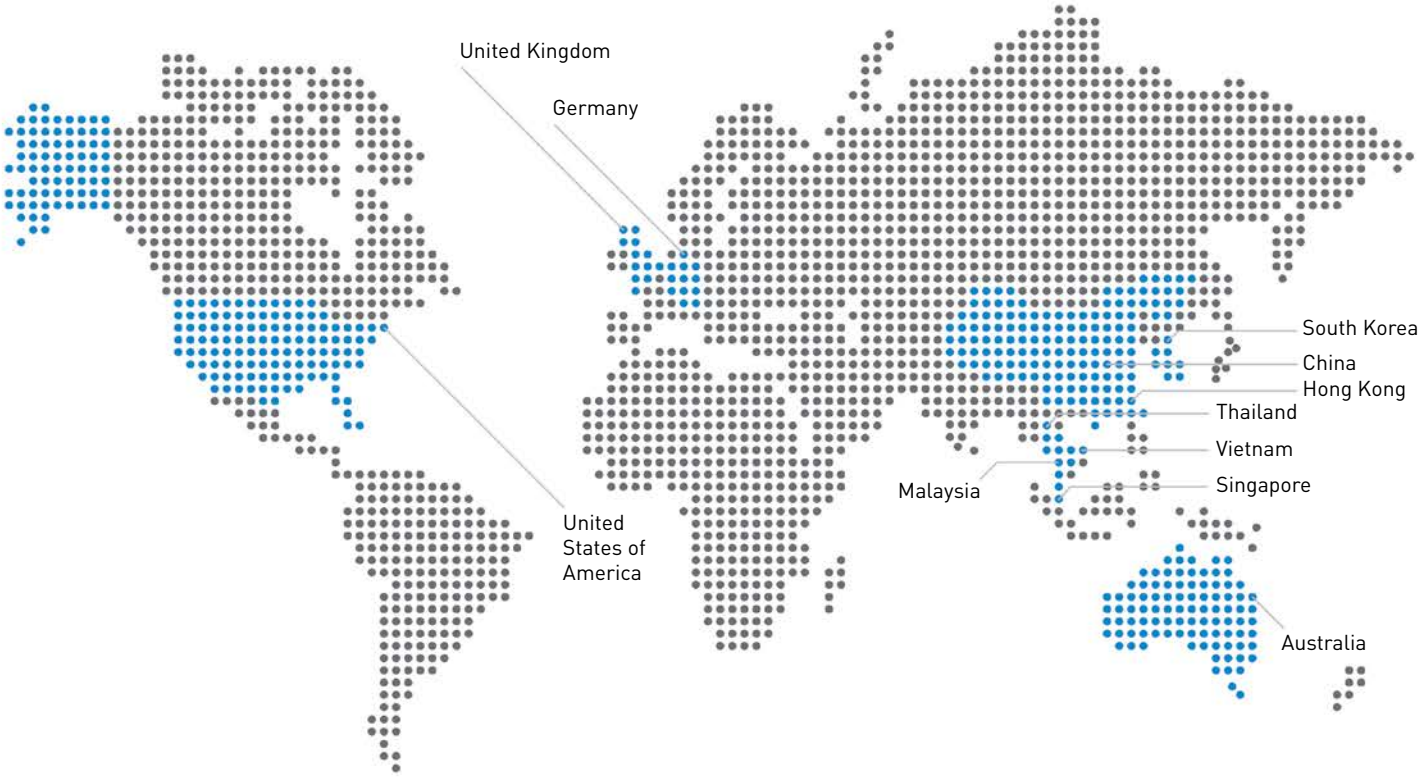
- Singapore
- Malaysia
- China
- Hong Kong

ENGINEERING & DISTRIBUTION*

- Singapore
- Malaysia
- Thailand
- Vietnam
- China
- Australia
- United States of America

TECHNOLOGY & MANUFACTURING

- Singapore
- China
- South Korea
- Germany
- United Kingdom
- United States of America



CORPORATE HIGHLIGHTS

JANUARY

- Disposed stake in RFNet Technologies Pte Ltd
- Disposed stake in Tangshan UE Shengxing Renewable Resources Co., Ltd.

FEBRUARY

- Mr Roy Tan appointed as Group Chief Financial Officer
- Lapse of the exclusivity agreement between Oversea-Chinese Banking Corporation Limited, Great Eastern Holdings Limited and TCC Top Enterprise Limited in relation to a possible transaction regarding the shares of UEL and WBL Corporation Limited
- FY2014 Results

MARCH

- Serviced offices and convention centre commenced operating under *Park Avenue* brand

APRIL

- 101st Annual General Meeting

MAY

- Q1 2015 Results
- Wearnes Components Shenyang Ltd. won the Safety Standardisation Enterprise of Shenyang City award
- *The Seletar Mall* officially opened



JUNE

- *Park Avenue Changi* conferred TripAdvisor's Certificate of Excellence
- Wearnes Components Shenyang Ltd. won the Safety Standardisation Team of Liaoning Province award
- Disposed stake in Chengdu Huaxin Ruitai Property Management Co., Ltd.

JULY

- Disposed stake in Shanghai Olympics Property Management Co., Ltd.
- UEL, *Park Avenue Clemenceau* and UE ServiceCorp Singapore each won a WSH Performance (Silver) Award at the WSH Awards



AUGUST

- Q2 2015 Results

OCTOBER

- *Park Avenue Rochester* named Global Winner under the Luxury Suite Hotel category at the World Luxury Hotel Awards



- Disposed stake in PT United Engineers Indonesia
- Ms Tan Swee Hong appointed as Group Company Secretary

NOVEMBER

- Received the Singapore Golden Jubilee Business Award
- Q3 2015 Results

DECEMBER

- Mr Norman Ip appointed as Group Managing Director

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr Tan Ngiap Joo
(Chairman)
Mr Norman Ip Ka Cheung
(Group Managing Director)
Mr Chew Leng Seng
Mr Koh Beng Seng
Mr Koh Poh Tiong
Dr Michael Lim Chun Leng
Mr David Wong Cheong Fook

EXECUTIVE COMMITTEE

Mr Tan Ngiap Joo
(Chairman)
Mr Norman Ip Ka Cheung
Mr Chew Leng Seng
Mr Koh Beng Seng

AUDIT & RISK COMMITTEE

Mr Koh Beng Seng
(Chairman)
Dr Michael Lim Chun Leng
Mr David Wong Cheong Fook

NOMINATING COMMITTEE

Mr Chew Leng Seng
(Chairman)
Mr Tan Ngiap Joo
Mr David Wong Cheong Fook

REMUNERATION COMMITTEE

Dr Michael Lim Chun Leng
(Chairman)
Mr Tan Ngiap Joo
Mr Koh Poh Tiong

COMPANY SECRETARY

Ms Tan Swee Hong

REGISTERED OFFICE

12 Ang Mo Kio Street 64
#01-01 UE BizHub CENTRAL
Singapore 569088
Telephone: +65 6818 8383
Facsimile: +65 6818 8398
Website: www.uel.sg

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

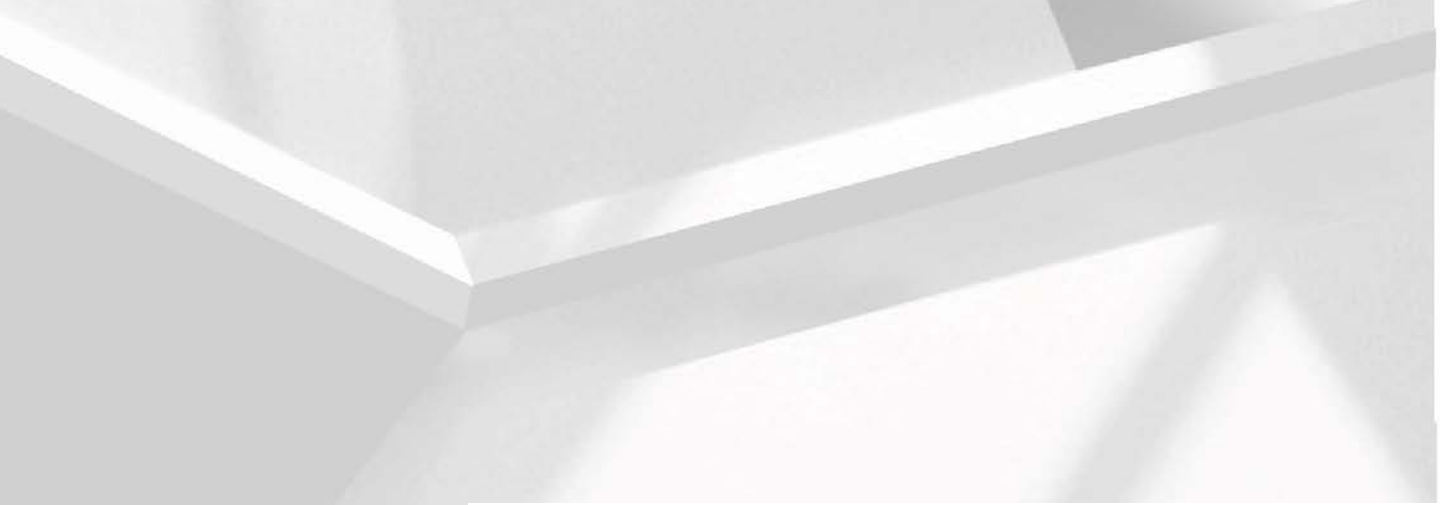
15 May 2015	Announcement of Q1 2015 Results
14 August 2015	Announcement of Q2 2015 Results
13 November 2015	Announcement of Q3 2015 Results
26 February 2016	Announcement of Full Year Results
12 April 2016	Notice of Annual General Meeting
29 April 2016	Annual General Meeting
5 May 2016	Ex-Dividend Date
9 May 2016	Last Date for Registration of Transfers
10 to 11 May 2016	Books Closure Dates
25 May 2016	Dividend Payment Date

LETTER TO SHAREHOLDERS



Mr Tan Ngiap Joo
Chairman

Mr Norman Ip
Group Managing Director



Dear Shareholders,

The year ended 31 December 2015 saw significant global financial uncertainty and geopolitical instability which inevitably affected the Singapore economy. This in turn had an impact on the Group's overall performance. In addition, the sustained impact of the property cooling measures in Singapore and slower economic growth in China, among others, also affected the Group's property business. Given these unfavourable conditions as well as divestment of the automotive business and MFS Technology (S) Pte Ltd, the Group posted a 42% decrease in revenue from $3.2 billion in 2014 to $1.9 billion. Gross profit declined 18% to $340.6 million but gross profit margin increased from 12.9% in 2014 to 18.3%.

The Group's attributable profit from continuing operations increased 122% from $46.0 million in 2014 to $102.2 million. The Group has been steadily streamlining its portfolio of businesses and operations by divesting non-core businesses and assets. It has also benefited from strategic and cost synergies arising from the acquisition of WBL Corporation Limited ("WBL"). Net debt to equity improved from 0.59 in 2014 to 0.49.

The Board of Directors is pleased to propose a first and final dividend of 5 cents per ordinary stock unit, a special dividend of 3 cents per ordinary stock unit and a preference dividend of 7.5 cents per preference share. These proposed dividends, if approved by members at the forthcoming Annual General Meeting (AGM), will be paid on 25 May 2016.

TOTAL DIVIDENDS OF

8 cents

PER ORDINARY STOCK UNIT

> "The Group's attributable profit from continuing operations increased 122% from $46.0 million in 2014 to $102.2 million."

SG50

2015 was a special year for Singapore as it was her 50th birthday. In recognition of the Group's contribution to Singapore's development over the decades, it was one of the 50 companies honoured at the Singapore Golden Jubilee Business Awards organised by Singapore Business Federation, Accounting and Corporate Regulatory Authority and DP Information Group. After gaining independence in 1965, Singapore embarked on a major rebuilding phase and in the same period, the Group introduced many cutting-edge innovations such as light-gauge steel for roof structures and the Space Deck structural system which allowed column-free construction in buildings. The Group was also one of the first local companies to have steel-casting capabilities and the first publicly-listed company in Singapore to computerise its operations.

Operating highlights

2015 was marked by a number of significant events. Firstly, on the back of its successful restructuring in 2014, Multi-Fineline Electronix, Inc. ("MFLEX") achieved strong financial performance due to a favourable product mix, operational excellence, improved labour efficiencies, as well as new programmes that ramped during the third quarter.

On the property development front, *Eight Riversuites* obtained Temporary Occupation Permit (TOP) on 8 January 2016. This is a key milestone as the 862-unit condominium project in Singapore is the largest residential development undertaken by the Group.

More operating highlights can be found in "Review of Operations".

to concentrate on property development. Other divestments included the Group's stake in PT United Engineers Indonesia which is engaged in fabrication of steel structures in Indonesia, Tangshan UE Shengxing Renewable Resources Co., Ltd. which is involved in industrial waste oil treatment in China, as well as RFNet Technologies Pte Ltd in Singapore which is a provider of wireless broadband communication solutions and related products. In aggregate, such divestments resulted in a net gain on disposal of approximately $30.4 million.

On 5 February 2016, the Group announced the proposed disposal of MFLEX. Although MFLEX returned to sustained profitability since the fourth quarter of 2014 following the completion of its restructuring, the

AGGREGATE NET GAIN ON DISPOSAL OF APPROXIMATELY

$30.4m

FROM DIVESTMENTS

WSH and service quality excellence

The Group is dedicated to constantly improve and achieve good Workplace Safety & Health (WSH)

> "The Group continued to streamline its portfolio of businesses and operations by divesting non-core businesses and assets to unlock as well as enhance shareholder value. These divestments also enabled the Group to focus on strengthening and expanding its core businesses for future growth."

Continued streamlining of businesses

The Group continued to streamline its portfolio of businesses and operations by divesting non-core businesses and assets to unlock as well as enhance shareholder value. These divestments also enabled the Group to focus on strengthening and expanding its core businesses for future growth. In the China property business, the Group divested its stake in a number of property management companies

Board is of the view that MFLEX is not strategic to the Group's core businesses in real estate and hospitality. The proposed divestment of MFLEX could further enhance the Group's capital management and unlock value for shareholders. It is expected to generate net proceeds of approximately $505.3 million which will be used to repay external borrowings and as general working capital. An Extraordinary General Meeting (EGM) to obtain shareholders' approval for the proposed disposal will be convened in due course.

standards and service levels. UEL, *Park Avenue Clemenceau* and UE ServiceCorp Singapore each won a WSH Performance (Silver) Award at the WSH Awards, organised by WSH Council and supported by Ministry of Manpower (MOM), for exemplary WSH performance and sound WSH management systems. In addition, WBL won the Silver Award at the Singapore HEALTH Award organised by Health Promotion Board (HPB) in recognition of its excellent workplace health promotion programmes.

Park Avenue Rochester was named Global Winner under the Luxury Suite Hotel category at the World Luxury Hotel Awards for its world-class facilities and service excellence. In addition, *Park Avenue Changi* was conferred the Certificate of Excellence by TripAdvisor, one of the world's largest travel sites, for consistently earning good reviews from hotel guests.

Outlook

The world economy outlook remains challenging with the growing geopolitical instability in various regions and worsening economic slowdown in China. In Singapore, given the continuation of the Government's property cooling measures, tighter credit environment and possibility of rising interest rates, demand in the residential property market is likely to remain subdued. In addition, with the existing supply and pipeline of upcoming projects, residential property prices are likely to moderate further. While the slowing economy will continue to weigh on office property demand in Singapore, rental income from the Group's portfolio of investment properties is expected to remain stable. The Group is closely monitoring market conditions in China as its economic recovery is still uncertain, and will adopt appropriate strategies to monetise its properties.

Amid a year likely underscored by the above challenges, the Group will continue to exercise prudence but at the same time look for opportunities to grow its core real estate and hospitality businesses. The Group is well-poised to capitalise on available opportunities and will deploy resources selectively for strategic investments in a period of market weaknesses. With more than 100 years of operational history behind it, we believe the Group can overcome cyclical obstacles and continue to forge ahead for greater growth.

“With more than 100 years of operational history behind it, we believe the Group can overcome cyclical obstacles and continue to forge ahead for greater growth.”

Acknowledgements

We are deeply saddened by the passing of Mr Lee Kuan Yew, Singapore's first Prime Minister, who is widely regarded as the founding father of our nation having played a critical role in the country's economic and social transformation. In many ways, the Group's post-war growth trajectory mirrors Singapore's rapid ascension from a third world to a first world country which was largely a result of Mr Lee's vision. We believe his foresight and resilience will continue to inspire us in the years ahead.

There were some key management changes that we would like to highlight: General Counsel Ms Tan Swee Hong was appointed as Group Company Secretary on 30 October in place of Ms Jeslyn Heng who resigned. The Board would like to thank Mr Ip for his keen leadership as well as gracious acceptance of the role of Group Managing Director to lead and manage our dedicated staff who have displayed exceptional diligence and achieved credible performance during the year.

On behalf of the Directors, we would like to thank our management, staff, business partners, investors and all other stakeholders for their continuous commitment and support to the Group.



Mr Tan Ngiap Joo
Chairman



Mr Norman Ip
Group Managing Director

10 March 2016

BOARD OF DIRECTORS

A Mr Tan Ngiap Joo
Chairman
Independent and Non-Executive Director

B.A., University of Western Australia

Mr Tan Ngiap Joo joined the Board in October 2006 and was appointed Chairman in April 2007. Mr Tan was last re-elected as a Director in 2015 and serves as Chairman of the Executive Committee and a member of the Nominating and Remuneration Committees.

Currently, Mr Tan is a Director of Oversea-Chinese Banking Corporation Limited ("OCBC Bank"), China Fishery Group Limited and Mapletree Logistics Trust Management Ltd.

Mr Tan held various senior positions in the banking and finance sector which include the positions of Deputy President of OCBC Bank, General Manager of OCBC Bank, Australia Branch, Chairman of Bleakeys Limited Australia and Chief Executive Officer of Bank of Singapore (Australia) Limited.

B Mr Norman Ip Ka Cheung
Group Managing Director
Non-Independent and Executive Director

B.Sc. (Econs), London School of Economics & Political Science, UK; Fellow of The Institute of Chartered Accountants in England and Wales; Fellow Chartered Accountant of Singapore

Mr Norman Ip Ka Cheung joined the Board in December 2009 and was last re-elected as a Director in 2013. Mr Ip was appointed as the Group Managing Director on 1 December 2015 and serves as a member of the Executive Committee.

Currently, Mr Ip is an Independent Director of Great Eastern Holdings Limited ("GEH") where he served as Acting Group Chief Executive Officer till 1 November 2015. In addition, he serves as the Non-Executive Chairman of the Board of Great Eastern Life Assurance (Malaysia) Berhad. He is also an Independent and Non-Executive Director of AIMS AMP Capital Industrial REIT Management Limited as well as a member of the Building and Construction Authority Board and Securities Industry Council.

Mr Ip was the former Chairman and Director of Malaysia Smelting Corporation Berhad and a Director of Australia Oriental Minerals NL and UE E&C Ltd. He retired as the President and Group CEO of The Straits Trading Company Limited ("STC") in October 2009. Prior to joining STC in 1983, he was with Ernst & Whinney (now known as Ernst & Young LLP).

C Mr Chew Leng Seng
Independent and Non-Executive Director

Dip. in Mechanical Engineering, Singapore Polytechnic

Mr Chew Leng Seng joined the Board in October 2006 and was last re-elected as a Director in 2015. Mr Chew serves as Chairman of the Nominating Committee and a member of the Executive Committee.

Mr Chew was CEO of SIA Engineering Company Limited before he retired as its Consultant in 2003. Prior to that, he was an Executive Vice President (Technical) of Singapore Airlines Limited.

D Mr Koh Beng Seng
Independent and Non-Executive Director

B.Com. (First Class Hons), former Nanyang University, Singapore; MBA, Columbia University, USA

Mr Koh Beng Seng joined the Board in October 2013 and was last re-elected as a Director in 2014. Mr Koh serves as Chairman of the Audit & Risk Committee and a member of the Executive Committee.

Currently, Mr Koh is the CEO of Octagon Advisors Pte. Ltd. and Non-Executive Chairman of GEH. He is a Director of Bank of China (Hong Kong) Limited, BOC Hong Kong (Holdings) Limited, Singapore Technologies Engineering Ltd and Hon Sui Sen Endowment CLG Limited.



Mr Koh has vast experience in the banking and financial sector. He was the Deputy President of United Overseas Bank Limited ("UOB") from June 2000 to 31 January 2005 and played a pivotal role in the integration of Overseas Union Bank and UOB. Prior to joining UOB in 2000, he was the Deputy Managing Director of the Monetary Authority of Singapore and an Advisor to the International Monetary Fund.

E Mr Koh Poh Tiong
Independent and Non-Executive Director

B.Sc., University of Singapore

Mr Koh Poh Tiong joined the Board in December 2011 and was last re-elected as a Director in 2015. Mr Koh serves as a member of the Remuneration Committee.

Currently, Mr Koh is the Non-Executive Chairman of Times Publishing Ltd and Yunnan Yulinquan Liquor Co Ltd. He is a Director, Advisor and Chairman of the Executive Committee of Fraser and Neave, Limited, a Director of The Great Eastern Life Assurance Company Limited, Raffles Medical Group Ltd, SATS Ltd and Petra Foods Limited. He is also the Chairman of both the Singapore Kindness Movement and the National Kidney Foundation.

Mr Koh has more than 41 years of corporate experience in sectors ranging from the maritime to food and beverage industries. He was the CEO of Asia Pacific Breweries Limited for 15 years, followed by CEO of Fraser and Neave, Limited's food and beverage division for 3 years.

F Dr Michael Lim Chun Leng
Independent and Non-Executive Director

MBBS, MMED (Int Med), FAMS (Cardiology), Singapore;
MRCP, UK;
FRCP, Edinburgh, UK

Dr Michael Lim Chun Leng joined the Board in March 2000 and was last re-elected as a Director in 2014. Dr Lim serves as Chairman of the Remuneration Committee and a member of the Audit & Risk Committee.

Currently, Dr Lim is a Medical Director of Singapore Heart, Stroke & Cancer Centre Pte. Ltd. He is also an Advisory Panel Member, North East Community Development Council. He continues to sit on various international committees in the field of cardiology.

Dr Lim had served on the Boards of several public listed and private companies. He had also sat on various Government committees as a Member of Parliament.

G 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 2013. Mr Wong serves as a member of the Audit & Risk and Nominating Committees.

Currently, Mr Wong is a Director of PEC Ltd. and Energy Market Company Pte Ltd. He is also the Chairman of Republic Polytechnic and a member of the Casino Regulatory Authority of Singapore and the Charity Council.

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).


E


F


G

KEY MANAGEMENT

Mr Roy Tan
Group Chief Financial Officer (GCFO)

Mr Roy Tan is the GCFO who is responsible for finance and other corporate functions of the Group, and is also responsible for the Group's strategic planning, mergers and acquisitions, new business initiatives and divestitures. Mr Tan is presently overseeing the Group's Property division.

Mr Tan has more than 15 years of experience in operations management, business development and strategic planning. Before joining the WBL Group in May 2006, he held various positions in OCBC Bank, ST Electronics and PhillipCapital.

Mr Tan holds a Bachelor of Arts (Honours) from University of Oxford, UK, as well as Master of Social Sciences (Applied Economics) and Master of Science (Management of Technology) from National University of Singapore. He is a FRM certified by Global Association of Risk Professionals and a CFA charterholder.

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. He has oversight on all of the Group's corporate matters within China.

Mr Chen has 20 years of experience in auditing, finance and corporate development 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 in IBM Singapore.

Mr Chen holds a Bachelor of Economics from Tianjin University of Finance and Economics as well as a 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 (E&D) Division

Mr Steven Ong is the CEO of the Group's E&D 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. Since then, he had 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. Before 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 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 that manages the *Park Avenue* chain of hotels and serviced apartments which has a total 748 hotel keys, as well as *UE Serviced Office and Convention Centre* business in Singapore and Hong Kong.

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 China before heading the Hospitality division. Prior to joining the Group, he was the Head of Marketing with American Management Association.

Mr Sun holds a Bachelor of Arts in Psychology from Fu-Jen Catholic University of Taipei, Taiwan. He is a council member of SHATEC Mentorship Advisory Council.

Mr Johnson Tang
Managing Director
Environmental Engineering Division

Mr Johnson Tang is the Managing Director of the Group's Environmental Engineering division and is responsible for strategy and operations in the water, medical waste treatment and renewable energy sectors.

Mr Tang has more than 20 years of experience in environmental engineering solutions and project management in the region. Before joining the Group in 1995, he was an Engineering Manager in MEI Project Engineers Pte Ltd.

Mr Tang holds a Master in Business Administration from University of Hull, UK.

KEY PROPERTY PORTFOLIO

DEVELOPMENT

SINGAPORE



EIGHT RIVERSUITES

Development type:	Residential
Location:	Bendemeer Road/Whampoa East, Singapore
Description:	862-unit condominium
Tenure of land:	99 years leasehold from 11/7/2010
Land area (sq ft):	200,402
Gross floor area (sq ft):	701,416
Group's effective interest:	100%
Held by:	UE Development (Bendemeer) Pte Ltd

MALAYSIA



THE MANHATTAN

Development type:	Residential
Location:	Jalan Raja Chulan, Kuala Lumpur, Malaysia
Description:	129-unit condominium
Tenure of land:	Freehold
Land area (sq ft):	20,322
Gross floor area (sq ft):	256,000
Group's effective interest:	100%
Held by:	Peninsular Smart Sdn Bhd

CHINA





CHENGDU ORCHARD VILLA

Development type:	Residential
Location:	Chengdu, China
Description:	1,358 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):	3,171,102
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):	2,680,894
Group's effective interest:	67.6%
Held by:	Shenyang Summer Palace Property Development Co., Ltd.

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 866 years
Land area (sq ft):	355,023
Valuation as at 31 December 2015:	$676.5 million
Net lettable area (sq ft):	Commercial: 317,000 (est) Retail: 79,000 (est)
Selected tenants:	Commercial: Estee Lauder, Kao Corporation, Bridgestone Asia Pacific Retail: Cold Storage
Group's effective interest:	100%
Held by:	United Engineers Limited



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 business hotel and serviced apartments *Park Avenue Changi* as well as manage the business park and retail space.



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 88 years
Land area (sq ft):	Retail: 95,940 (inclusive of residential development) Hospitality: 43,242
Valuation as at 31 December 2015:	Retail: $122 million Hospitality: $165 million
Net lettable area (sq ft):	75,000 (est) (*Rochester Mall*)
Selected tenants:	The Learning Lab, Julia Gabriel Centre for Learning, Buttercup Montessori Kindergarten
Group's effective interest:	100%
Held by:	UE One-North Developments Pte Ltd



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 2015:	$423 million
Net lettable area (sq ft):	202,000 (est)
Selected tenants:	Kellogg Brown & Root Asia Pacific Pte Ltd, Japan Travel Bureau Pte Ltd
Group's effective interest:	100%
Held by:	UE Development (Anson) Pte Ltd



UE BIZHUB WEST

Development type:	Industrial and Commercial
Location:	Alexandra Road, Singapore
Description:	12-storey commercial building and 8-storey industrial building
Tenure of land:	Freehold
Land area (sq ft):	191,484
Valuation as at 31 December 2015:	$418 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 29 years
Land area (sq ft):	258,068
Valuation as at 31 December 2015:	$36 million
Net lettable area (sq ft):	289,000 (est)
Selected tenants:	Apple, Motorola
Group's effective interest:	100%
Held by:	United Engineers Limited

RETAIL



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



ROCHESTER MALL

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

Description: 3-storey shopping mall, part of the mixed-use development at one-north

Net lettable area (sq ft): 75,000 (est)

Selected tenants: The Learning Lab, Julia Gabriel Centre for Learning, Buttercup Montessori Kindergarten



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



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

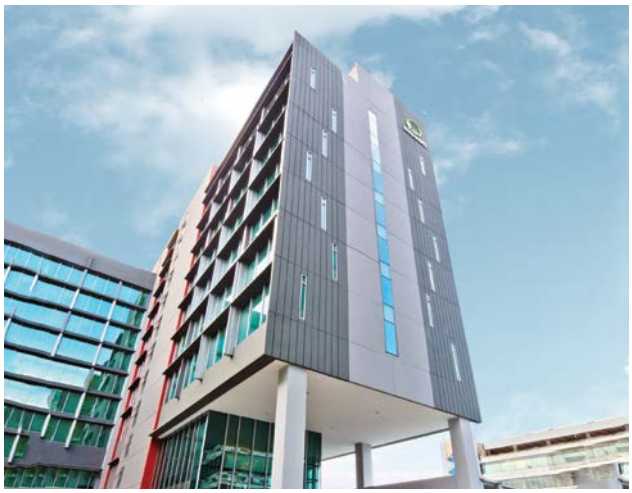
* The Group has a 30% stake

HOSPITALITY



PARK AVENUE CLEMENCEAU

Location: Clemenceau Avenue, Singapore
Description: Serviced apartments, part of *UE BizHub CITY*
No. of rooms: 150



PARK AVENUE CHANGI

Location: Changi Business Park, Singapore
Description: Hotel and serviced apartments, part of *UE BizHub EAST*
No. of rooms: 251



PARK AVENUE ROBERTSON

Location: Kim Yam Road, Singapore
Description: Serviced apartments
No. of rooms: 36

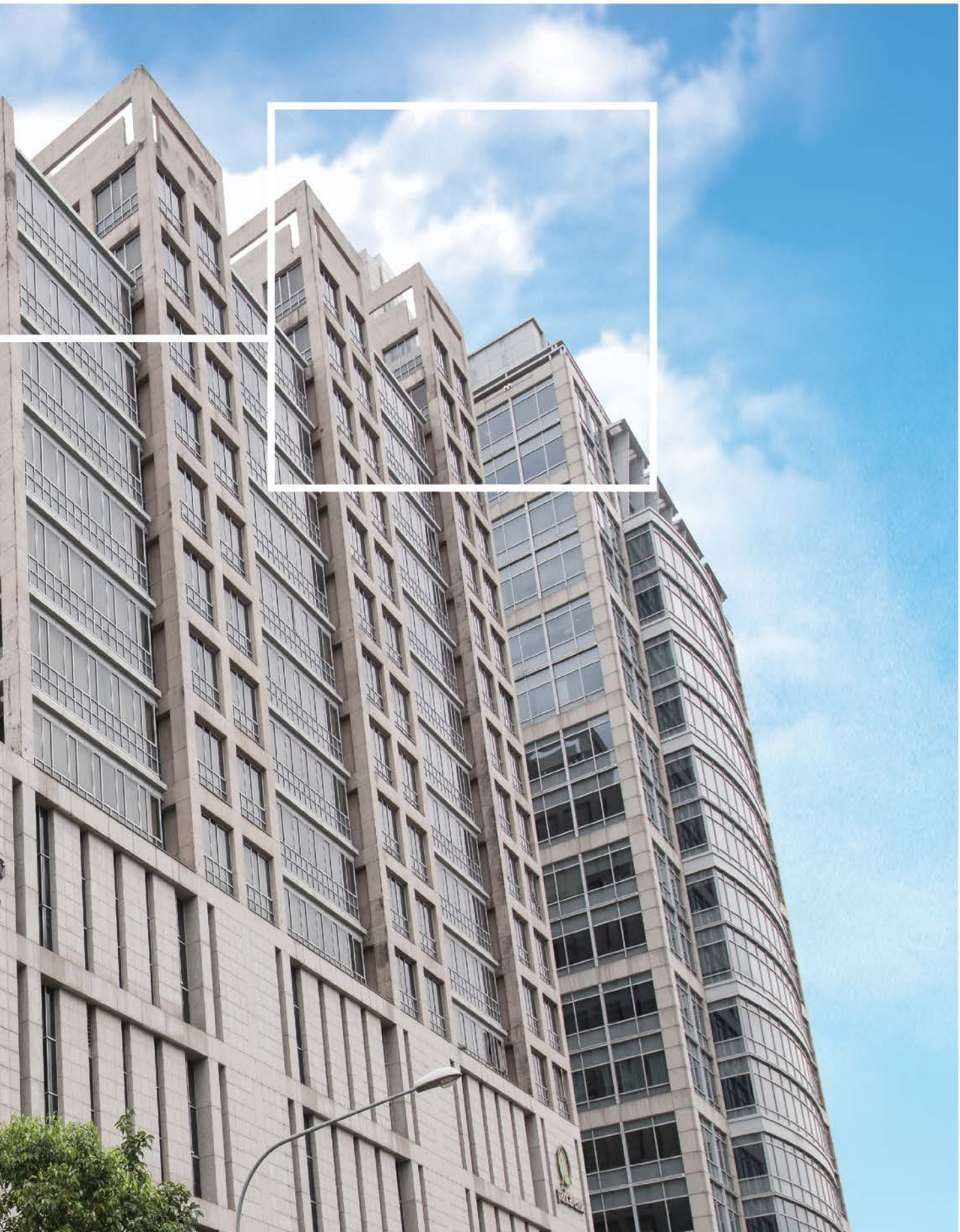


PARK AVENUE ROCHESTER

Location: Buona Vista Road/North Buona Vista Road, Singapore
Description: Hotel and serviced apartments, part of the mixed-use development at one-north
No. of rooms: 311

REVIEW OF OPERATIONS





PROPERTY DEVELOPMENT

In Singapore, United Engineers Developments Pte Ltd ("UED") saw increased sales at *Eight Riversuites* which lifted total sales to 97% as at 31 December. This city-fringe 862-unit condominium obtained TOP on 8 January 2016 and is UED's largest residential development in terms of development scale. In Malaysia, the 129-unit condominium *The Manhattan* chalked up 65% in total sales as at 31 December. With the bulk of available-for-sale residential units sold, UED will actively look for real estate-related opportunities amidst the global economic uncertainty.

In China, Huaxin International made good progress in its projects. For *Shenyang Orchard Summer Palace*, Huaxin International completed construction of the office tower, commenced sales and lease of the office units, as well as continued construction of the serviced apartment tower. It also completed *Chengdu Orchard Villa's* phase 3 (comprising four semi-detached units and 86 terrace houses) and earthworks for phase 4, as well as commenced piling works for phase 4.

02



PROPERTY RENTAL & SERVICES

UED's portfolio of business park and office property assets – *UE BizHub CENTRAL*, *UE BizHub CITY*, *UE BizHub TOWER* and *UE BizHub WEST* – achieved close to full occupancy. UED continues to manage *UE BizHub EAST* for Viva Industrial Trust and is also finalising plans for the expansion of *UE BizHub CENTRAL* which will nearly double its current net lettable area of approximately 289,000 sq ft.

Retail malls comprising *Changi Link*, *Rochester Mall*, *The Seletar Mall* and *UE Square Shopping Mall* achieved healthy occupancy. To enrich their offerings, UED secured new tenants such as *Blue House Infant and Toddler Atelier*, *Chikuyotei*, *kodewithkids* and *Superland Pre-School* at *UE Square Shopping Mall*; *BearyFun Gym* at *Changi Link*; as well as *My Drum School* and *Pilates and Gyrotonic Studio* at *Rochester Mall*. In addition, as part of a wider

01



97%

TOTAL SALES AT *EIGHT RIVERSUITES*

01 *Eight Riversuites* obtained TOP on 8 January 2016

02 *The Seletar Mall* officially opened on 21 May with close to full occupancy

03 *Park Avenue Rochester* will utilise robots in its operations in the middle of 2016

04 Serviced offices at *UE BizHub CITY* have been expanded by about 6,700 sq ft in net lettable area

> *Park Avenue Rochester* was named Global Winner under the Luxury Suite Hotel category at the World Luxury Hotel Awards for its world-class facilities and service excellence.

effort to refresh its portfolio of malls, UED started upgrading some of the common facilities at *UE Square Shopping Mall* and *UE BizHub CITY*. *The Seletar Mall*, UED's joint venture project with Singapore Press Holdings ("SPH"), officially opened on 21 May with close to full occupancy. UED and SPH intend to inject *The Seletar Mall* into SPH REIT when it achieves a stable and sustainable yield.

The Group will continue to grow its property portfolio by capitalising on acquisition opportunities to generate a higher level of recurring rental income.

HOSPITALITY

The Group's *Park Avenue* hotels and serviced apartments comprising *Park Avenue Changi*, *Park Avenue Clemenceau*, *Park Avenue Robertson* and *Park Avenue Rochester* achieved strong occupancy rate throughout the year. This was in spite of the uncertain global economy and slower tourist arrivals in Singapore.

Park Avenue was recognised on the international stage with *Park Avenue Rochester* being named Global Winner under the Luxury Suite Hotel category at the World Luxury Hotel Awards for its world-class facilities and service excellence. In addition, *Park Avenue Changi* was conferred the Certificate of Excellence by TripAdvisor, one of the world's largest travel sites which offers travel advice as well as planning and booking tools, for consistently earning good reviews from hotel guests.

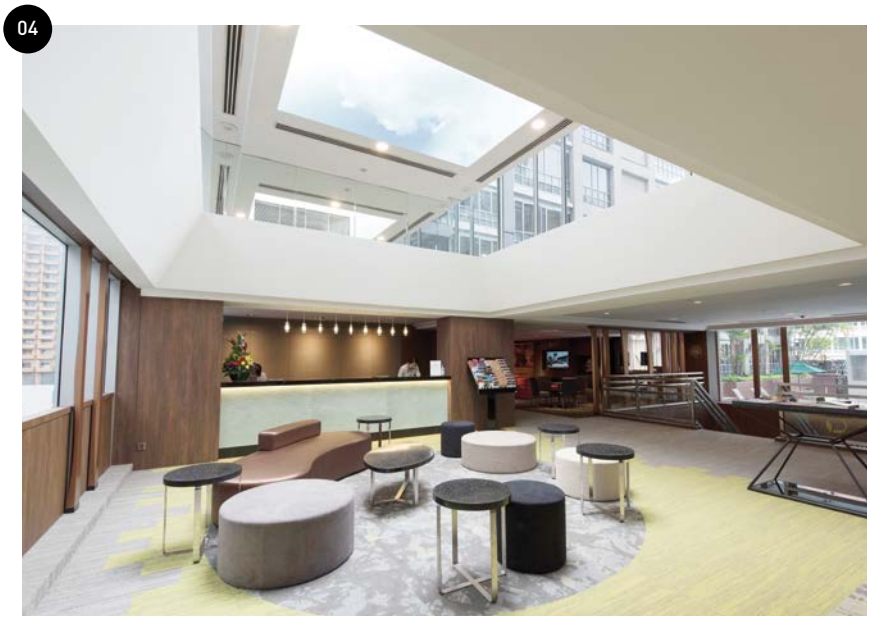
To enhance its service offerings and competitive edge, *Park Avenue Rochester* will convert some of its suites into standard rooms to increase the total number of keys from the current 311 to approximately 400. With this, *Park Avenue Rochester* will be able to offer a more balanced room configuration which will better cater to market demand. *Park Avenue Rochester* is also undertaking a pilot project to utilise robots in its operations, such as transporting linen and cartons of bottled water for room service as well as delivering luggage and food to guestrooms. To be fully implemented in the middle of 2016, these robots can boost productivity by about 20% and reduce manpower requirements. *Park Avenue Rochester* will be the first hotel in Singapore to introduce robotics in its operations.

03



The Group also operates its convention centre and serviced offices under the *Park Avenue* brand. The serviced offices are located at *UE BizHub CITY*, *UE BizHub EAST* and the mixed-use development at one-north in Singapore, as well as in Hong Kong. To capitalise on the growing trend of flexible office and co-working spaces, the serviced offices at *UE BizHub CITY* have been expanded by about 6,700 sq ft in net lettable area and feature a newly-renovated gym, pantry and meeting rooms.

04



ENVIRONMENTAL ENGINEERING*

UES Holdings Pte Ltd ("UES Holdings") secured two projects, which are the phase 4 expansion of *Jurong Water Reclamation Plant* involving design, procurement, installation, testing and commissioning of mechanical and electrical (M&E) equipment as well as refurbishment of aeration tanks and equipment; and the upgrading of processes and replacement of equipment at *Chestnut Avenue Waterworks*.

UES Holdings also continued works on the Design, Build, Own and Operate (DBOO) of the second NEWater plant at *Changi Water Reclamation Plant*; the provision of a sludge pre-treatment facility at *Ulu Pandan Water Reclamation Plant*; the design, development and build for upgrading of M&E equipment at *Tembusu Pumping Station* as well as laying of pipeline along Jurong Island Highway and Sakra Avenue; the construction of Stamford Detention Tank and ancillary facilities; as well as the design, procurement, supply, construction, installation, testing and commissioning of a proposed used water lift station at *Jurong Water Reclamation Plant*.

> "With its upgraded BCA workheads, UES Holdings is looking to bid for larger and more complex projects to enhance its track record and capabilities."

05



05 Reverse osmosis equipment for the second NEWater Plant at *Changi Water Reclamation Plant*

06 New pumps installed for the project on upgrading works at *Kranji II Pumping Station*

During the year, UES Holdings handed over three completed projects, which are the relocation of substation and pumphouse at *Singapore Changi Airport*; the design and build of a membrane plant at *Changi Water Reclamation Plant*; as well as the upgrading works at *Kranji II Pumping Station*.

The year also saw UES Holdings upgrade its Building and Construction Authority (BCA) workheads. Its ME02 Building Automation, Industrial & Process Control Systems and ME05 Electrical Engineering specialist workheads were upgraded to L5 grade (second highest grade), allowing it to tender for projects in the relevant workheads with contract value up to $14 million. With these, UES Holdings is looking to bid for larger and more complex projects to enhance its track record and capabilities.

06



* Classified under Corporate Services & Others in the Financial Statements

SYSTEMS INTEGRATION*

The Security & Sensor business of O'Connor's Singapore Pte Ltd ("O'Connor's Singapore") won a contract from Land Transport Authority (LTA) to track illegal parking of vehicles and several contracts from Keppel Offshore & Marine to provide CCTV (closed-circuit television) solutions. Its Medical, Radiation, Laboratory & Product Distribution business performed well largely due to increased demand for walk-through metal detectors in the Indonesia market and from one of Singapore's government agencies. O'Connor's Singapore's Satellite Communications business also secured several projects from the Singapore Government and telecommunications industry as well as various companies from Myanmar.

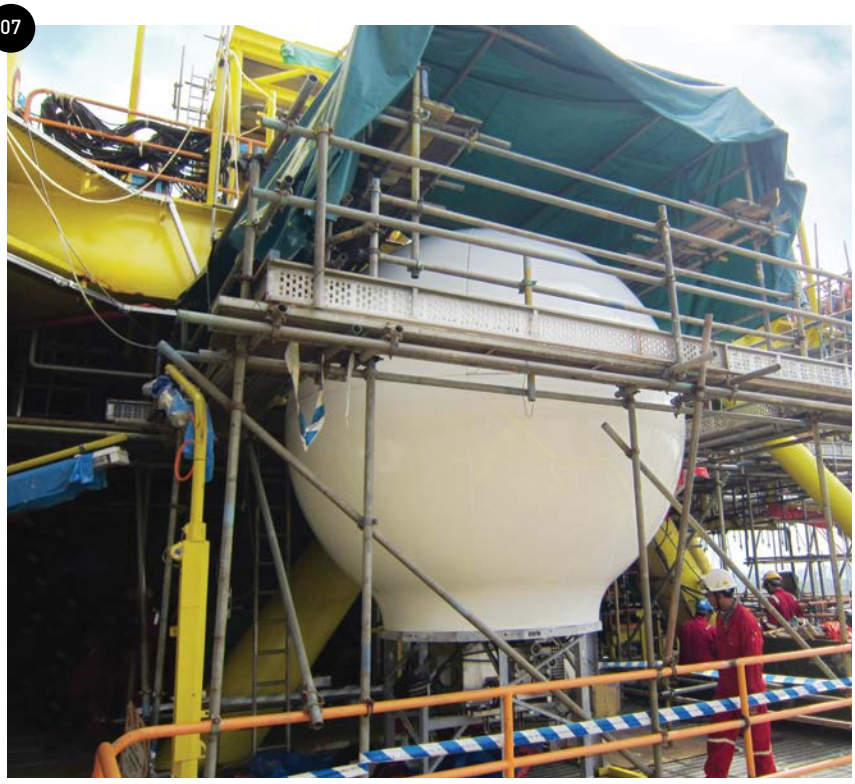
During the year, O'Connor's Singapore was recognised as a Solution Gold Partner by *Axis Communications*, a global leader in network video. It was also awarded the Certificate of Dealership from *Pelco*, a provider of video surveillance and security solutions, to distribute their products. Going forward, O'Connor's Singapore intends to venture into the hotel and resorts sector to diversify its customer base as well as expand its range of medical solutions to provide more comprehensive offerings.

> "O'Connor's Singapore intends to venture into the hotel and resorts sector to diversify its customer base as well as expand its range of medical solutions to provide more comprehensive offerings."

O'Connor's Engineering Sdn Bhd ("O'Connor's Malaysia") had a challenging year due to dampened market sentiments caused by falling commodity prices, the weakening Ringgit, as well as introduction of Goods and Services Tax by the Malaysia Government. Although these affected sales to a large extent, O'Connor's Malaysia managed to clinch projects from the hospitality, oil and gas, telecommunications and financial sectors. To strengthen its market competitiveness, O'Connor's Malaysia will continue to invest in staff training and enhance its engineering services by forging strategic technology partnerships to provide more innovative and comprehensive solutions.

Despite the slow Thailand economy, O'Connor's (Thailand) Co., Ltd. ("O'Connor's Thailand") saw improved sales in industrial equipment, particularly due to the supply of high precision testing and measurement instruments to National Institute of Metrology as well as various manufacturers of optics equipment, computer hard discs, miniature ball bearings, compressors and automotive components. O'Connor's Thailand also completed several projects during the year, including a digital archiving project for National Film Archive and a media asset management project for *Sukhothai Thammathirat Open University*.

07



07 O'Connor's Malaysia installed a gyro-stabilised antenna radome

DISTRIBUTION*

WBL Engineering & Distribution Pte. Ltd. is the Group's principal Distribution subsidiary which comprises Welmate, Polytek Engineering, Far East Motors, Wealco Equipment and WLPG (formerly known as Wearnes LPG) in Singapore as well as Pacific Silica Pty Ltd ("Pacific Silica") in Australia.

Welmate delivered a number of projects during the year. They included the supply of *Promatect* fire-resistant boards and fire-rated ductings to *Marina One* and *Guoco Tower*; fire-rated ceilings and partitions to *Mediapolis*, *Mapletree Business City* and LTA's MRT (Mass Rapid Transit) Downtown Line 2 train stations; as well as *Acotec* precast concrete panels to *Dulwich College (Singapore)*, *Ju Eng Home for Senior Citizens*, *Corals at Keppel Bay*, *Asahi Warehouse*, *North View Bizhub* and more. Welmate also supplied *ROCKFON* stonewool ceiling products to *Guoco Tower*, *Yishun Community Hospital* and *Lee Kong Chian School of Medicine*, *Nanyang Technological University*. To ride on the growing adoption of prefabricated building products in the local construction industry, Welmate will be launching new products including prefabricated concrete components and bathroom units.

08



08 Wealco Equipment introduced the *JCB* 560-80 telescopic handler for larger infrastructure projects

> "To ride on the growing adoption of prefabricated building products in the local construction industry, Welmate will be launching new products including prefabricated concrete components and bathroom units."

Polytek Engineering secured several contracts from the public and private sectors to supply boiler and laundry equipment. It also installed washer extractors and set up a complete laundry production line for Singapore Corporation of Rehabilitative Enterprises (SCORE). Polytek Engineering is currently looking to expand its product range by including laundry and boiler equipment with smaller capacities to target small and medium enterprises, *ABG Systems* garment automatic dispensing cabinets and *Thermopatch Tag-O-Matic* garment tagging systems.

Far East Motors completed a number of projects involving the provision of specialised equipment, including installation of an engine dynamometer test cell for Port of Singapore Authority, manual wash systems for Singapore Armed Forces' amphibious vehicles, brake test lanes for five SBS Transit depots and oil lubrication systems for the MRT Downtown Line workshop depot. There was an increase in sales attributed to a rise in number of operators who took up the Early Turnover Scheme initiated by LTA and National Environment Agency. However, parts sales was affected due to the phasing out of older commercial vehicles and rise of new car sales.

Wealco Equipment introduced the *JCB* 560-80 and 540-200 telescopic handlers to capitalise on the rising demand for heavier construction equipment with higher capacities brought about by an increased number of infrastructure projects. In the marine sector, Wealco Equipment focused on supplying medium-sized jets to smaller watercrafts as demand for larger crew boats

* Classified under Corporate Services & Others in the Financial Statements

was affected by lower oil prices. It also secured orders to supply jets for 18 metre-sized crew boats and supply vessels. Wealco Equipment is exploring distributing jets to other segments and will be supplying its first waterjets to a Singapore-built windfarm service vessel.

WLPG's sales to the distributor and dealer sectors was affected by supply restrictions from refineries and stiffer price competition caused by reduced LPG prices. Direct sales to the industrial and commercial sectors was also affected due to lacklustre manufacturing activities and the extended haze period; direct sales to the household sector was sluggish as well because of shrinking market demand and manpower crunch. To cope with a lower level of activities, WLPG implemented several cost-cutting measures. In 2016, WLPG will distribute LPG-related parts and equipment sourced directly from manufacturers as well as build its own engineering resources to boost productivity and efficiency.

Pacific Silica supplied 32,000 tonnes of sand to *Eagle Farm Racecourse* in Queensland. It also embarked on major expansion works for a sand drying plant to increase its production capacity and efficiency as well as added more road trucks in its fleet to improve productivity and operational capacity. During the year, Pacific Silica secured a new contract to supply approximately 7,000 tonnes of high-margins materials to a customer engaged in dried sands.

SUPPLIED

32,000

TONNES OF SAND TO *EAGLE FARM RACECOURSE*

> "MFLEX's strong financial performance is attributed to a favourable product mix, operational excellence, improved labour efficiencies, as well as new programmes that ramped during the third quarter."

09 Wealco Equipment focused on supplying medium-sized jets to smaller watercrafts during the year

TECHNOLOGY

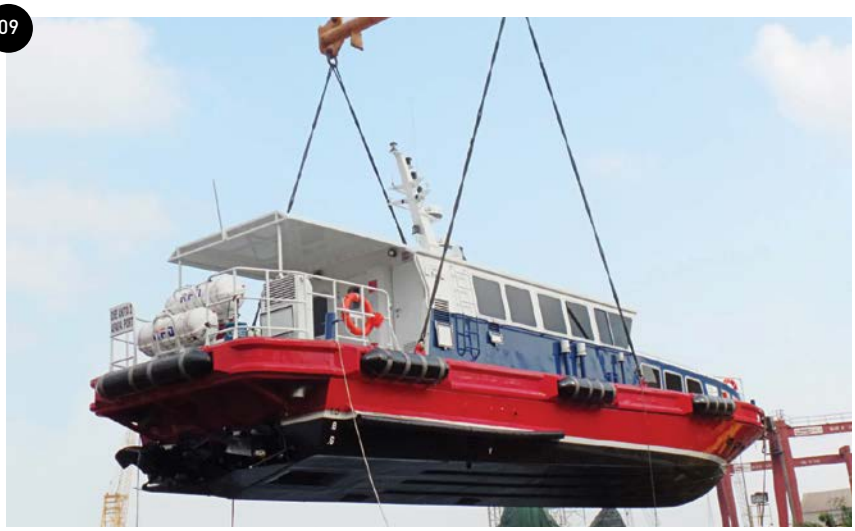
MFLEX has achieved six consecutive profitable quarters since its successful restructuring which was completed in the fourth quarter of 2014. MFLEX's strong financial performance is attributed to a favourable product mix, operational excellence, improved labour efficiencies, as well as new programmes that ramped during the third quarter.

On 5 February 2016, the Group announced the proposed disposal of MFLEX which is in line with its strategic objective to streamline businesses. The proposed disposal could also further enhance the Group's capital management as well as unlock value for shareholders, and an EGM will be convened in due course to obtain shareholders' approval.

MANUFACTURING

During the year, the Group's Manufacturing segment which includes principal subsidiaries in China and the United Kingdom focused on improving operational efficiencies and product quality. It will continue to identify innovative and technical solutions to improve operational capabilities, including investments in automation and key human resources.

09



OCCUPATIONAL SAFETY & HEALTH

The Group's accident frequency rate (AFR) went up from 0.16 in 2014 to 0.56 as 2015 was the first year where AFR computation was based on data from all subsidiaries following the integration of the WBL Group. There was one incident reported in the year.

The Group ran the HPB-funded Workplace Health Programme@UE for the fourth year. Under this programme, the Group organised Let's Get Active recreational activities such as bowling, kickboxing and K-pop dancing, a healthful cooking demonstration, as well as workshops on health and wellness.

Several Occupational Safety & Health (OSH) training programmes were conducted, including the proper use of CPR (cardiopulmonary resuscitation) and AED (automated external defibrillator), risk management (a prerequisite for obtaining bizSAFE level 2 recognition), road safety talk and internal auditor training. Other OSH awareness-raising activities held during the year included UE Safety Day in June which involved WSH-themed games, a mass exercise and fruits bazaar. O'Connor's Singapore also held a safety roadshow in October to educate staff on the appropriate use of safety boots, PPE (personal protective equipment) and fire safety equipment.

> "UEL, *Park Avenue Clemenceau* and UE ServiceCorp Singapore each won a WSH Performance (Silver) Award for their good WSH performance and sound WSH management systems at the annual WSH Awards."

During the year, WBL won the Silver Award at the Singapore HEALTH Award organised by HPB in recognition of its excellent workplace health promotion programmes. UEL, *Park Avenue Clemenceau* and UE ServiceCorp Singapore each won a WSH Performance (Silver) Award for their good WSH performance and sound WSH management systems at the annual WSH Awards organised by WSH Council and supported by MOM.

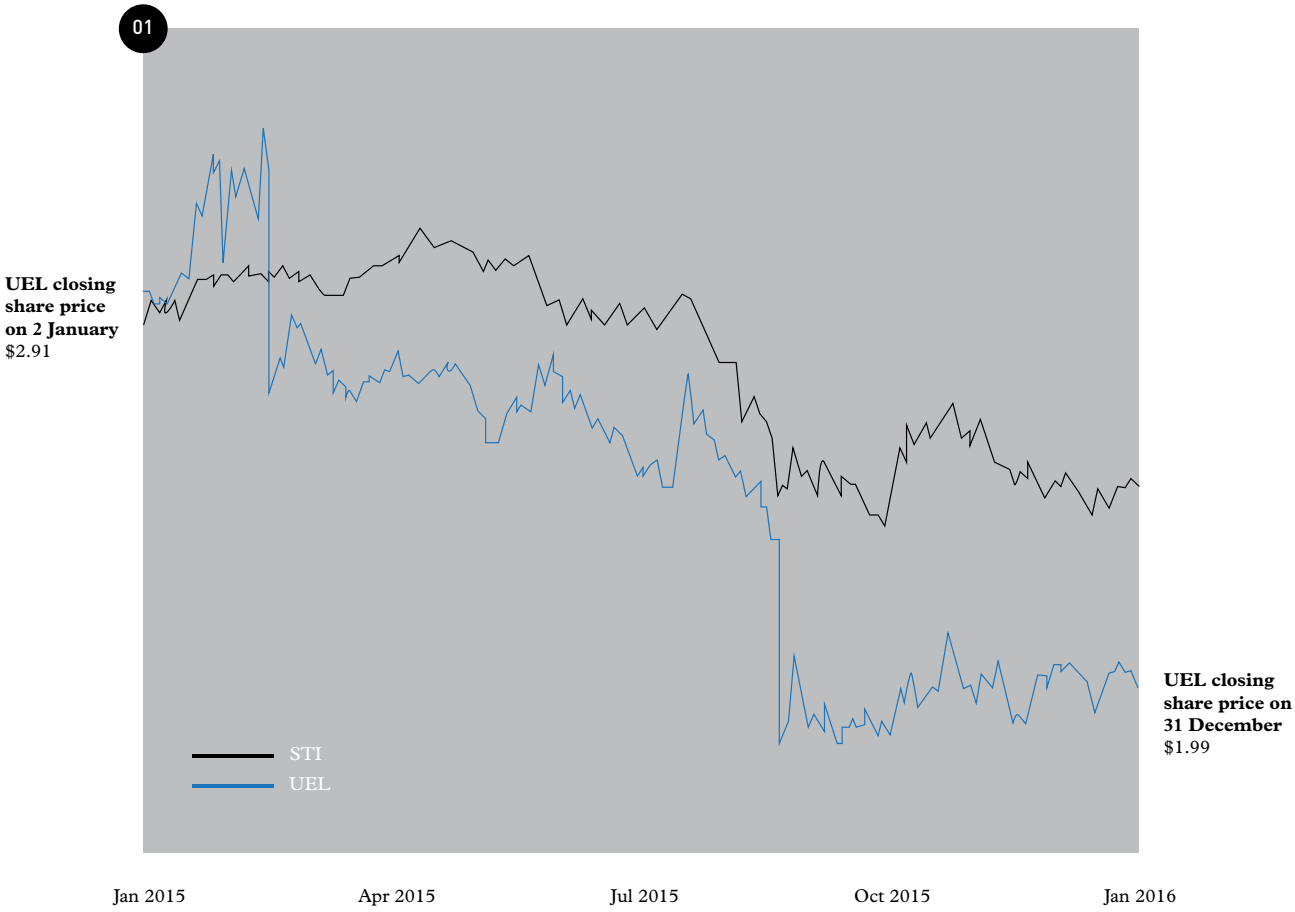
The Group also earned WSH accolades overseas with Wearnes Components Shenyang Ltd. which won the Safety Standardisation Enterprise of Shenyang City award and Safety Standardisation Team of Liaoning Province award from Shenyang Association of Work Safety and Liaoning Administration of Work Safety respectively. These awards recognise its good safety standardisation management systems as well as good workplace safety standards and performance.

01 Staff playing WSH-themed games during UE Safety Day



INVESTOR RELATIONS

01



The Group is committed to communicate its disclosures to stakeholders promptly and effectively. The disclosures are made available on SGXNet, the Group's corporate website (www.uel.sg) as well as ShareInvestor (www.shareinvestor.com), and stakeholders who sign up for the email alert service can also receive them via email. These ensure that stakeholders can conveniently obtain the Group's disclosures in a timely and accessible manner.

Management engaged with analysts as well as existing and potential investors through one-on-one meetings and conference calls during the year. The Group held its 101st AGM in April, during which all the resolutions were passed and the results were posted on the various platforms mentioned above.

In line with the weak global economy and softening stock markets, UEL's share price dipped during the year. The decline in February followed the joint announcement by OCBC Bank and GEH on 14 February regarding the lapse of the exclusivity agreement between OCBC Bank, GEH and TCC Top Enterprise Limited in relation to a possible transaction regarding the shares of UEL and WBL as the parties involved were not able to reach an agreement on an appropriate transaction structure.

UEL's share price closed at $2.91 on 2 January and dropped to a closing share price of $1.99 on 31 December.

CLOSING SHARE PRICE OF

$1.99

ON 31 DECEMBER

01 Relative performance of UEL share price against the Straits Times Index

CORPORATE SOCIAL RESPONSIBILITY

The Group champions environmental stewardship in its businesses as far as possible. For example, the Group's environmental engineering business is primarily engaged in projects that aim to improve the quality of life and state of physical environment, particularly in the water, waste-to-energy and medical waste sectors. In property development, the Group is a fervent proponent of sustainable buildings with green features such as high water and energy efficiency, good indoor environmental quality, as well as environmental protection.

> "Over the years, many of the Group's development projects have won the BCA Green Mark Award for their incorporation of best practices in environmental design and green technologies."

01



01 The Group took part in the inaugural one-north Run to raise funds for charity

Over the years, many of the Group's development projects have won the Green Mark Award, a BCA benchmark scheme which recognises buildings that incorporated best practices in environmental design and green technologies.

In addition, as a responsible corporate citizen, the Group supports a wide range of meaningful causes and social initiatives to give back to society. In June, it sponsored the SWA Charity Golf Game organised by Singapore Water Association for Waterways Watch Society, a non-government and non-profit society which seeks to promote conservation and prevent pollution of Singapore's waterways.

The Group also collaborated with Nestlé in the Boys' Brigade's Share-a-Gift project which donated food to 40,551 elderly and less-fortunate beneficiaries. In addition, it took part in the inaugural one-north Run organised by A*STAR (Agency of Science, Technology and Research) and JTC Corporation to raise funds for Singapore Children's Society, Community Chest, AWWA (formerly known as Asian Women's Welfare Association) and Movement for the Intellectually Disabled of Singapore.

On an on-going basis, the Group makes donations to various meaningful initiatives and activities. During the year, it contributed to An Enchanted Evening charity dinner in support of Methodist Welfare Services and HighPoint Community Services Association as well as Motorola Charity Golf event in support of Cerebral Palsy Alliance Singapore. The Group also sponsored the Wearnes Book Prize award which was given to a Ngee Ann Polytechnic student with outstanding academic performance.

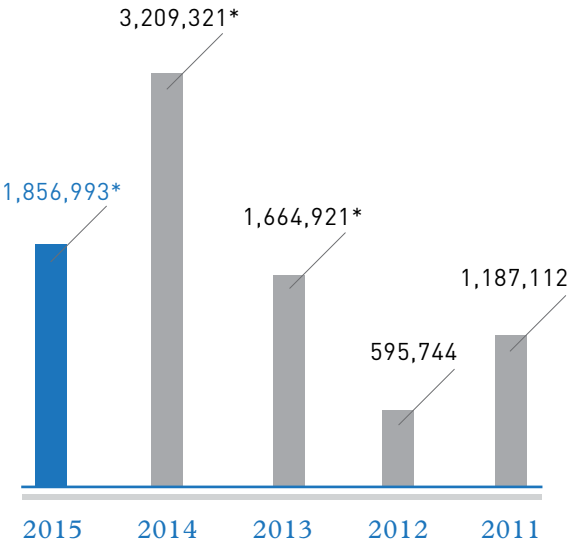
5-YEAR FINANCIAL PROFILE OF THE GROUP

	2015	2014	2013	2012	2011
Income Statement ($000)					
Revenue	**1,856,993** *	3,209,321 *	1,664,921 *	595,744	1,187,112
Profit before Tax	**136,614** *	75,754 *	53,166 *	102,094	348,863
Income Tax Expense	**(6,593)** *	(35,267) *	(40,146) *	(14,344)	(58,507)
Profit Net of Tax	**130,021** *	40,487 *	13,020 *	87,750	290,356
Profit Attributable to Owners of the Company, Net of Tax (Net Profit)	**102,210**	123,583	118,060	72,164	269,459
Statement of Financial Position ($000)					
Property, Plant and Equipment	**359,385**	389,315	782,243	164,394	81,202
Investment Properties	**1,857,542**	1,847,071	1,870,923	1,203,765	1,242,806
Other Non-Current Assets	**298,437**	328,741	503,511	428,758	202,910
Net Current Assets [1]	**1,483,667**	1,715,439	2,464,561	1,088,870	1,080,405
	3,999,031	4,280,566	5,621,238	2,885,787	2,607,323
Stockholders' Equity	**1,830,603**	1,803,846	1,711,660	1,238,851	1,184,323
Non-Controlling Interest	**556,864**	576,348	809,696	67,088	54,724
Short and Long-Term Borrowings	**1,443,761**	1,716,909	2,882,276	1,539,518	1,333,827
Other Non-Current Liabilities	**167,803**	183,463	217,606	40,330	34,449
	3,999,031	4,280,566	5,621,238	2,885,787	2,607,323
Net Borrowings ($000)	**899,634**	1,066,662	1,976,877	1,087,517	880,549
Net Debt to Equity (times) (Including Stand-alone Project) [2]	**0.49**	0.59	1.15	0.88	0.74
Net Debt to Equity (times) (Excluding Stand-alone Project) [2]	**0.003**	(0.04) [3]	0.27	0.07	(0.01) [3]
Per Stock Unit					
Earnings per Stock Unit (cents)					
• Profit Attributable to Ordinary Stockholders after Preference Dividend	**16.0**	19.4	24.5	20.0	79.8
Ordinary Dividends					
• First and final (cents)	**5.0**	5.0	5.0	5.0	5.0
• Special (cents)	**3.0**	5.0	2.0	5.0	10.0
• Cover (times)	**2.00**	1.94	3.50	2.00	5.32
Net Tangible Assets ($)	**2.93** [4]	2.88 [4]	2.70 [4]	2.72	2.72

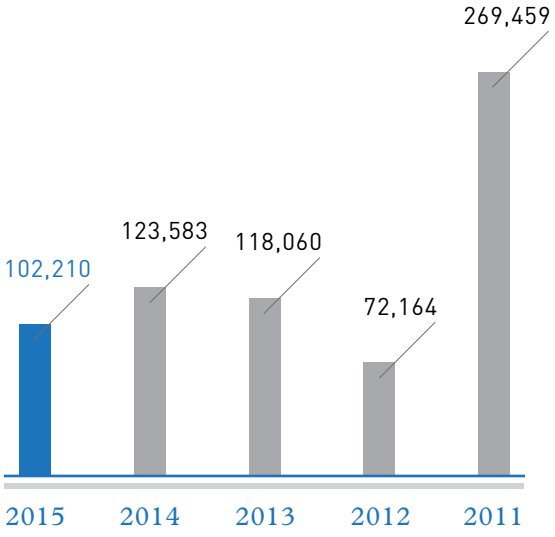
[1] In arriving at net current assets, short-term borrowings have been excluded
[2] Debts on stand-alone project refers to debt secured against specific assets of a project
[3] In net cash position
[4] Based on total number of issued stock units excluding the number of stock units held by a subsidiary
* Based on continuing operations

KEY FINANCIAL HIGHLIGHTS

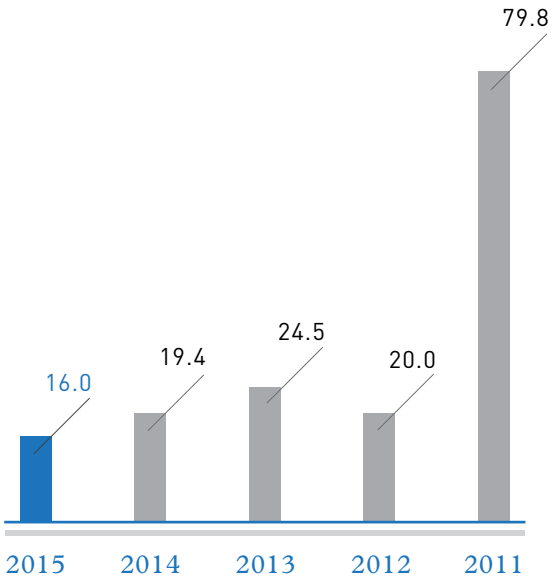
GROUP REVENUE ($000)



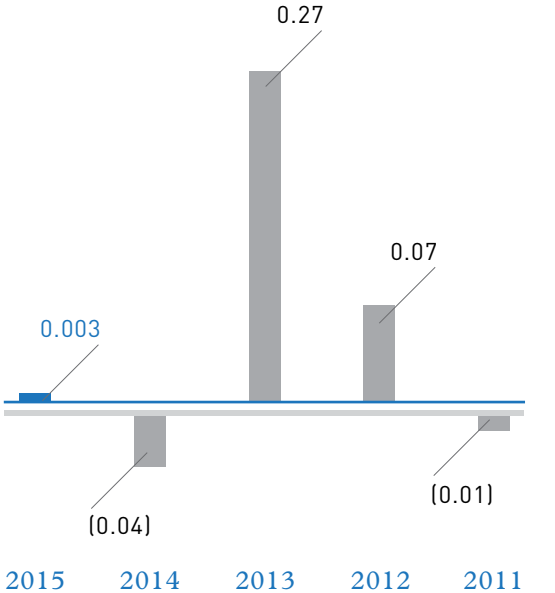
GROUP NET PROFIT ($000)



EARNINGS PER STOCK UNIT (CENTS)

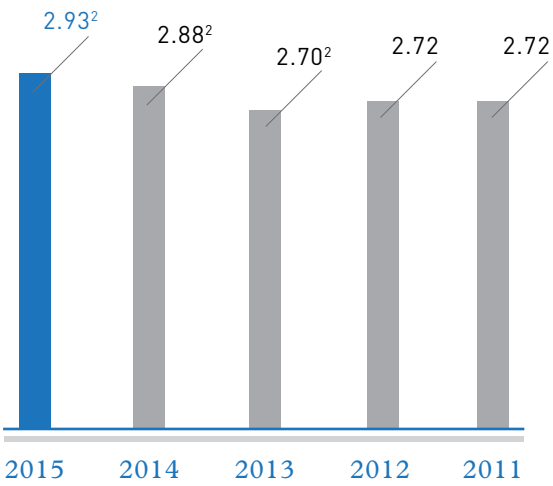


NET DEBT TO EQUITY (EXCLUDING STAND-ALONE PROJECTS[1])

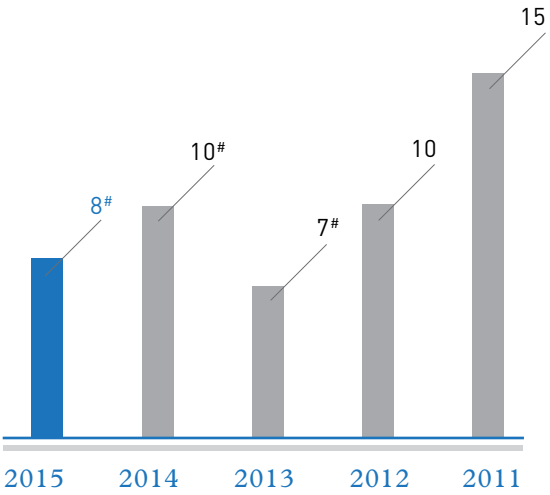


* Based on continuing operations
# On an enlarged share capital after the 1-for-1 Rights Issue in 2013
[1] Debts on stand-alone project refers to debt secured against specific assets of a project
[2] Based on total number of issued stock units excluding the number of stock units held by a subsidiary

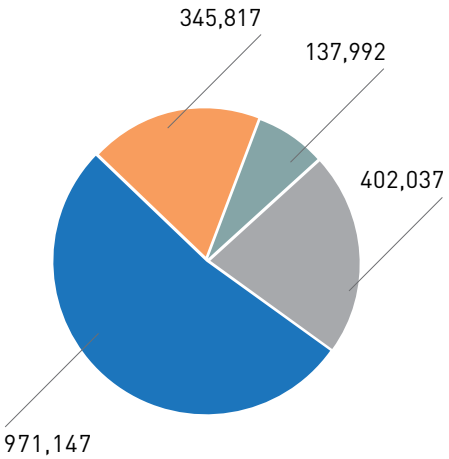
NET TANGIBLE ASSETS PER STOCK UNIT ($)



DIVIDEND PER ORDINARY STOCK UNIT (CENTS)

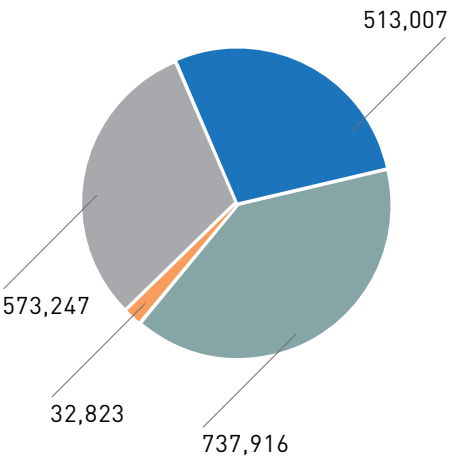


REVENUE BY BUSINESS SEGMENTS ($000)



- Property Rental & Services
- Corporate Services & Others
- Property Development
- Technology & Manufacturing

REVENUE BY GEOGRAPHICAL SEGMENTS ($000)



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

REPORT ON CORPORATE GOVERNANCE

The Board of Directors 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 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 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 procedures are in place 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 which enables risks to be assessed and managed;

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

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

The Board has formed various Board Committees, namely Executive Committee (EXCO), Audit & Risk Committee (ARC), Nominating Committee (NC) and Remuneration Committee (RC). The Board has delegated specific responsibilities to each of these Committees. These Committees have been formed and guided by their specific terms of reference.

The composition of the Board Committees for the financial year ended 31 December 2015 ("FY2015") is tabulated below:

Directors	***EXCO***	***ARC***	***NC***	***RC***
Mr Tan Ngiap Joo	C		M	M
Mr Norman Ip Ka Cheung[(1)]	M			
Mr Chew Leng Seng	M		C	
Mr Koh Beng Seng	M	C		
Mr Koh Poh Tiong				M
Dr Michael Lim Chun Leng		M		C
Mr David Wong Cheong Fook		M	M	

Denotes: *C – Chairman* *M - Member*

Note:

(1) Mr Norman Ip Ka Cheung was appointed as Group Managing Director with effect from 1 December 2015. Prior to that, he chaired the Corporate Office of the Company which was dissolved following his appointment.

The Board meets at least four 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.

REPORT ON CORPORATE GOVERNANCE

The attendance records of the Directors at meetings of the Board and Board Committees in FY2015 are set out below:

	Board	*EXCO*	*ARC*	*Ad hoc ARC*	*NC*	*RC*
No. of Meetings Held	**4**	**4**	**6**	**1**	**1**	**3**
Mr Tan Ngiap Joo	4	4	4	1	1	3
Mr Norman Ip Ka Cheung	4	4	6^	1	1	3
Mr Chew Leng Seng	4	4	4	-	1	1
Mr Koh Beng Seng	4	4	6^	1	1	1
Mr Koh Poh Tiong	4	-	4	-	1	3
Dr Michael Lim Chun Leng	4	-	6^	-	1	3
Mr David Wong Cheong Fook	4	-	6^	1	1	1

Note:

^ Enterprise Risk Management (ERM) forms part of ARC's scope and responsibilities. During the year, ARC held two separate meetings to discuss ERM matters specifically.

The Group has adopted internal guidelines on matters that require 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 (IPT), appointment and termination of Directors and key management 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 businesses and corporate units is arranged for a new Director to better familiarise himself with the Group's businesses and governance practices.

Various training programmes in areas such as accounting, legal, risk management and industry-specific matters are made available to and arranged for the Directors. 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

The Board comprises seven Directors, of whom six are Independent and Non-Executive Directors. The six Independent and Non-Executive Directors are Mr Tan Ngiap Joo, Mr Chew Leng Seng, Mr Koh Beng Seng, Mr Koh Poh Tiong, Dr Michael Lim Chun Leng and Mr David Wong Cheong Fook. They and their immediate family members have no 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 Group. Mr Norman Ip Ka Cheung was appointed as Group Managing Director on 1 December 2015 and hence is considered Executive and Non-Independent.

The NC, taking into account the nature of Group's operations, considers its current size to be adequate for effective decision making. The NC reviews whether the Board and its Board Committees provide an appropriate balance and diversity of skills, experience, gender and knowledge of the Group. The NC is satisfied that the present Board has an appropriate mix of expertise, experience and independence needed to discharge its duties effectively. The Directors have diverse backgrounds in the banking, accounting, engineering, medical, 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 Committees levels, as well as in open and candid discussions with management. They review and monitor the performance of management against target goals and objectives.

REPORT ON CORPORATE GOVERNANCE

No individual Board member 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 Code 2012 and written declaration of their independence provided by the Directors. The independence of any director who has served on the Board beyond nine years from the date of his first appointment is subject to particularly rigorous review. During the year, the Directors who had served on the Board beyond nine years were Dr Michael Lim Chun Leng, Mr Tan Ngiap Joo and Mr Chew Leng Seng.

The Board has determined that Dr Michael Lim Chun Leng, Mr Tan Ngiap Joo and Mr Chew Leng Seng be considered independent as they had demonstrated the essential characteristics of independence by expressing independent views and challenging management at Board and Committee meetings which they served on. Despite their long tenure of service on the Board, their continued independence with management remained as the Company had undergone a change of management team during the last two years and hence, the Directors could not be considered as being too familiar with the current management team. The Board was of the view that conversely, it would be desirable to extend the tenure of the said Directors on the Board to ensure continuity due to their institutional memory and knowledge and to guide the current management team.

Profiles of the Directors are found on pages 10 and 11 of this Annual Report.

Principle 3: Chairman and Group Managing Director

The roles and responsibilities of the Chairman and the Group Managing Director are distinct and separate.

The Chairman's position is independent and non-executive in nature, and relates to the workings of the Board as a whole. He 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 management. He ensures that the Directors receive complete, adequate and timely information. At Board meetings, he promotes a culture of openness and ensures 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 management.

Mr Norman Ip Ka Cheung was appointed as the Group Managing Director of the Company on 1 December 2015 and following his appointment, the Corporate Office chaired by him previously which was tasked to lead management in the execution and implementation of operational and strategic plans, was dissolved. As the Group Managing Director, Mr Ip bears executive responsibility for the management and development of the Group's businesses, executes the agreed strategies and implements the Board's decisions. His new role enables the Group to continue its strategic objective of streamlining business activities and enhancing and unlocking value for shareholders.

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

Principle 4: Board Membership

The NC is chaired by Mr Chew Leng Seng and its members comprise Mr Tan Ngiap Joo and Mr David Wong Cheong Fook. All NC members including the Chairman are Independent and Non-Executive Directors.

REPORT ON CORPORATE GOVERNANCE

The NC meets at least once a year and more often if required. In FY2015, 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 Director;

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

(vii) review succession plans for CEO and key management staff.

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 candidate to the Board for consideration.

Board members 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 Board members, 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 Board members 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 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 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 next AGM on 29 April 2016 are set out in the Notice of AGM on pages 153 to 155 of this Annual Report.

The NC is satisfied that sufficient time and attention is given by the Directors to the affairs of the Group, notwithstanding that some of the Directors have multiple board representations. Hence, there is presently no need to implement internal guidelines to address their competing time commitments. The NC is of the view that the multiple board representations held presently by the Directors are acceptable and do not impede their performance in carrying out their duties to the Company and in fact, enhance the performance of the Directors as these broaden the experience and knowledge of the Board.

Principle 5: Board Performance

The NC has implemented a formal Board and Individual Director Evaluation Exercise which takes into account various criteria, including board size and composition, attendance, adequacy of preparation, performance at meetings, communication with management, accountability, specialist knowledge and quality of decision making. 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.

REPORT ON CORPORATE GOVERNANCE

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 individual evaluations also take into account the contributions of each Director and their commitment in terms of time and effort spent on the Company's matters.

Principle 6: Access to Information

All Directors have direct and independent access to the Company Secretary as well as management. The Company Secretary, under the direction of the Chairman, is responsible for ensuring good information flow within the Board and Board Committees and between management, 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 Board Committees meetings are usually scheduled one 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 working days in advance.

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 Dr Michael Lim Chun Leng and its members comprise Mr Tan Ngiap Joo and Mr Koh Poh Tiong. All RC members including the Chairman are Independent and Non-Executive Directors. All RC members 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 FY2015, the RC held three 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) recommend to the Board a framework of remuneration and specific remuneration packages for Directors and key management including the Group Managing Director. The framework takes into account all aspects of executive 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, Group Human Resources, who attends all RC meetings.

In FY2015, there were no termination, retirement and post-employment benefits that may be granted to Directors (including the Group Managing Director) and the top five key management.

The Company does not employ any immediate family member of the Directors 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. FY2015 Directors' Fees set out on page 39 of this Annual Report are subject to the shareholders' approval at the forthcoming AGM of the Company.

REPORT ON CORPORATE GOVERNANCE

Directors' Remuneration

Directors	*Directors' Fees $*	*Salary $*	*Bonus $*	*Other Benefits $*	*Special Fee (1) $*	*Total $*
Mr Tan Ngiap Joo	234,000	-	-	13,503	-	247,503
Mr Norman Ip Ka Cheung(1)	103,000	30,000	-	6,500	261,250	400,750
Mr Chew Leng Seng	113,000	-	-	-	-	113,000
Mr Koh Beng Seng	129,000	-	-	-	-	129,000
Mr Koh Poh Tiong	84,000	-	-	-	-	84,000
Dr Michael Lim Chun Leng	113,000	-	-	-	-	113,000
Mr David Wong Cheong Fook	101,000	-	-	-	-	101,000

Note:

(1) Special Fee will only be paid upon approval by the shareholders at the forthcoming AGM of the Company. This is to compensate Mr Norman Ip Ka Cheung for his responsibilities and duties assumed over and above the normal duties and responsibilities associated with the office of a Non-Executive Director when he was Chairman of Corporate Office.

Key Management 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. Compensation packages and revisions of key management's remuneration are subject to the review and approval of 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 top five key management (who are not Directors) of the Group has been made within bands of $250,000. For more information on the aggregate total remuneration paid to all key management (including top five key management), please refer to Note 34 in the Notes to the Financial Statements on page 126 of this Annual Report.

Remuneration Bands	No. of Executives
$250,000 - $500,000	3
$500,001 - $750,000	2

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

On a regular basis, management prepares and submits proposals and financial reports for the Board's consideration by way of internal memos or management papers setting out the background, explanatory information and their recommendations. These are supported with disclosure documents, budgets and forecasts. 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 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.

Principle 11: Risk Management and Internal Controls

The ERM 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, update and maintenance of an adequate and effective risk management framework and internal control system. During the year, two ARC meetings were held to specifically discuss ERM matters.

REPORT ON CORPORATE GOVERNANCE

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

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

The Group had established an ERM system in FY2009 which is in line with international best practices, including a comprehensive set of management systems, organisational structures, policies, processes and Group standards to conduct its business and deliver returns for shareholders.

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

The ERM system is based on ISO 31000:2009 that focuses on four 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 compiled with; as well as a responsible corporate governance is facilitated through an informed approach by the Board and Board Committees to review, manage and mitigate various risks 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 ARC periodically. The Board has received written assurance from the Group Managing Director and Group Chief Financial Officer that:

(a) the financial records of the Group have been properly maintained and the financial statements for FY2015 give a true and fair view of the Group's operations and finances; and

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

Based on the ERM system in place, internal controls established and maintained by the Group, work performed by the internal auditor, statutory audit conducted by the external auditor, and reviews performed by management, various Board Committees and the Board, the Board is of the opinion with the concurrence of ARC that the Group's internal controls addressing financial, operational and compliance risks are adequate. In 2015, the Company uncovered a series of irregular transactions in relation to its subsidiaries in the Property division and these transactions are deemed not to be material. The Company is presently working with the authorities to investigate and seek resolution on the matter.

The system of internal controls and ERM 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 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.

REPORT ON CORPORATE GOVERNANCE

Principle 12: Audit Committee

The ARC is chaired by Mr Koh Beng Seng and its members comprise Dr Michael Lim Chun Leng and Mr David Wong Cheong Fook. All ARC members including the Chairman 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 ARC members have sufficient financial management expertise and experience to discharge ARC's functions.

The ARC meets at least four times a year. In FY2015, ARC held seven meetings and its primary functions are to:

(i) review the scope and results of the 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 judgement made by 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 IPT 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 in relation to 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 cooperation from 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 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 the Head of Internal Audit reports directly to ARC.

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 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.

REPORT ON CORPORATE GOVERNANCE

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 auditor. 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 86 of this Annual Report.

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 scope of the audit work was performed by the in-house Group Internal Audit Department and the audit plan focused on the adequacy and effectiveness of the risk management and internal controls. All audit findings and recommendations are reviewed by the ARC and management will take the appropriate actions to improve the internal controls and mitigate risks. 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 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. 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 as well as 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 for more information.

At the shareholders' meetings, the Company ensures that shareholders are briefed on the rules including voting procedures that govern such meetings. The Constitution provides appropriate provisions to allow the shareholders to vote in person or in absentia through proxies.

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 the 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.

REPORT ON CORPORATE GOVERNANCE

Minutes of shareholders' meetings are recorded and are available for shareholders' inspection upon their request.

All Directors, including the Chairman of each Board Committee are present and available to address questions at the shareholders' meetings. The external auditor is also present to address shareholders' queries about the conduct of 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 flow, the Group's expected working capital requirements and capital expenditure, the future expansion, investment plans and other 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.

The Board strives to maintain a balance between meeting shareholders' expectations and prudent capital management with a sustainable dividend payout.

ADDITIONAL BOARD COMMITTEE

The EXCO, an additional Board Committee, was formed to carry out the Board's functions and to exercise oversight over management as well as evaluate in greater depth the proposals set out by management and in turn recommend to the Board for approval, if necessary.

The EXCO is chaired by Mr Tan Ngiap Joo and its members comprise Mr Norman Ip Ka Cheung, Mr Chew Leng Seng and Mr Koh Beng Seng.

In FY2015, the EXCO met four times. Its primary functions under its terms of reference are to:

(i) review, evaluate and approve the Company's policies, principles, strategies, values, objectives and performance targets within parameters set by the Board;

(ii) review, evaluate and approve investments and divestments and related policies within parameters set by the Board;

(iii) review, evaluate, approve and endorse such other matters and initiate any special reviews and actions as appropriate for the prudent management of the Company;

(iv) review and forward specific issues where the Board's policy guidance is required and recommend the said policies to the Board for approval in full session; and

(v) review, evaluate and approve any specific projects or issues which may, from time to time, be delegated by the Board.

INTERESTED PERSON TRANSACTIONS

The Company has renewed the IPT Mandate at the AGM held on 24 April 2015. The IPT Mandate defines the levels and procedures to obtain approval for such transactions. 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. Details of the IPT Mandate are disclosed in the Letter to Members. Information on IPT for FY2015 can be found on page 150 of this Annual Report under Other Information Required under the SGX-ST Listing Manual.

REPORT ON CORPORATE GOVERNANCE

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 two weeks before the release of the Group's financial results for the first three quarters and one month before the release of the Group's full year 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 with the listed securities of the Group on short-term consideration.

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

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DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of United Engineers Limited (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 2015.

OPINION OF THE DIRECTORS

In the opinion of the directors,

(i) the consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Group and the 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:

Tan Ngiap Joo	(Chairman)
Norman Ip Ka Cheung	(Group Managing Director – Appointed on 1 December 2015)
Chew Leng Seng	
Koh Beng Seng	
Koh Poh Tiong	
Dr Michael Lim Chun Leng	
David Wong Cheong Fook	

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 ordinary stock units and share options of the Company and ordinary shares in its related corporations (other than wholly-owned subsidiaries) as stated below:

The Company	Held in the name of director		Deemed interest	
Name of Director	At the beginning of financial year	At the end of financial year	At the beginning of financial year	At the end of financial year
	Ordinary Stock Units			
Tan Ngiap Joo	89,850	89,850	–	–
Chew Leng Seng	65,372	65,372	–	–
Dr Michael Lim Chun Leng	144,776	144,776	–	–
David Wong Cheong Fook	–	10,000	–	–

DIRECTORS' STATEMENT

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

Related Corporation Name of Director	Held in the name of director		Deemed interest	
	At the beginning of financial year	At the end of financial year	At the beginning of financial year	At the end of financial year
MFS Technology Ltd				
		Ordinary Shares		
David Wong Cheong Fook	100,000	100,000	12,500	12,500

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2016.

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

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 the 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 01.01.2015	No. of shares under option exercised	No. of shares under option forfeited	Balance as at 31.12.2015
30.11.2005	30.11.2006 to 29.11.2015	$1.63	120,283	120,283	–	–
27.11.2006	27.11.2007 to 26.11.2016	$1.90	233,964	–	22,356	211,608
6.12.2007	6.12.2008 to 5.12.2017	$3.31	1,134,546	–	716,956	417,590
20.05.2009	20.05.2010 to 19.05.2019	$1.36	134,759	38,979	15,592	80,188
			1,623,552	159,262	754,904	709,386

DIRECTORS' STATEMENT

OPTIONS *(continued)*

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

The aggregate number of options granted since the commencement of the Scheme 2000 in year 2000 (including adjustments made to the number of outstanding (unexercised) options as at 18 September 2013) is 21,157,201.

Controlling shareholders of the Company and their associates are not eligible to participate in Scheme 2000. No participant has received 5% or more of the total number of options available under Scheme 2000. No options were granted at a discount since the commencement of Scheme 2000.

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

By subsidiaries

(a) MFS Technology Ltd ("MFS")
MFS Share Option Scheme ("MFS Scheme")
MFS Share Appreciation Rights Plan ("MFS SAP") and Performance Share Plan ("MFS PSP")

MFS Scheme

The MFS Scheme in respect of unissued ordinary shares in the capital of MFS was approved by the shareholders of MFS at the extraordinary general meeting of MFS on 28 December 2001. The MFS Scheme is administered by the Remuneration Committee of MFS ("MFS RC").

The MFS Scheme shall continue to be in force at the discretion of the MFS RC, subject to maximum of 10 years commencing with the year in which the first date of grant of an option that is accepted by a participant falls, provided always that the MFS Scheme may be continued for any further period or periods thereafter with the approval of MFS' shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required. All outstanding share options granted under the MFS Scheme expired or lapsed upon completion of the disposal of MFS' subsidiaries on 18 November 2014. Since then, there is no movement in MFS Scheme.

MFS SAP and MFS PSP

The MFS RC engaged an external compensation consultant to review, design and recommend a longer term incentive program for MFS. The recommendation was for the termination of further option grants and to replace it with a MFS SAP and a MFS PSP.

The MFS SAP and MFS PSP were approved by the shareholders of MFS at the extraordinary general meeting of MFS on 30 July 2008. They were established to increase MFS' flexibility and effectiveness in rewarding, retaining and motivating staff to increase performance and to foster a greater ownership culture. All outstanding MFS SAP and MFS PSP were settled in cash in the prior year. Since then, there is no movement in MFS SAP and MFS PSP.

(b) Multi-Fineline Electronix, Inc. ("MFLEX")
Multi-Fineline Electronix, Inc. 2014 Equity Incentive Plan ("MFLEX 2014 Equity Incentive Plan")
Multi-Fineline Electronix, Inc. 2004 Stock Incentive Plan ("MFLEX 2004 Stock Incentive Plan")

MFLEX Stock Options

At MFLEX's annual meeting of stockholders on 5 March 2014, MFLEX's stockholders approved the MFLEX 2014 Equity Incentive Plan. Upon stockholder approval of the MFLEX 2014 Equity Incentive Plan, MFLEX 2004 Stock Incentive Plan, as amended and restated to date was terminated. The MFLEX 2014 Equity Incentive Plan is administered by MFLEX's board of directors or a committee thereof (the "Administrator").

OPTIONS *(continued)*

(b) Multi-Fineline Electronix, Inc. ("MFLEX") *(continued)*
Multi-Fineline Electronix, Inc. 2014 Equity Incentive Plan ("MFLEX 2014 Equity Incentive Plan") *(continued)*
Multi-Fineline Electronix, Inc. 2004 Stock Incentive Plan ("MFLEX 2004 Stock Incentive Plan") *(continued)*

MFLEX Stock Options *(continued)*

The MFLEX 2014 Equity Incentive Plan provides for the granting of stock options, stock appreciation rights ("SSAR" or "SSARs"), restricted share awards and restricted stock units ("RSU") to employees, directors (including non-employee directors), advisors and consultants. Grants under the MFLEX 2014 Equity Incentive Plan vest and expire based on periods determined by the Administrator, but in no event can the expiration date be later than ten years from the date of grant (five years after the date of grant if the grant is an incentive stock option to an employee who owns more than 10% of the total combined voting power of all classes of MFLEX's capital stock). Grants of stock options may be either incentive stock options or non-qualified stock options.

MFLEX's assessment of the estimated fair value of stock options and SSARs granted is affected by MFLEX's stock price as well as assumptions regarding a number of complex and subjective variables and the related tax impact. MFLEX utilises the Black-Scholes option valuation model to estimate the fair value of stock options and SSARs granted. Expected forfeitures are estimated based on the historical turnover of MFLEX's employees. The fair value of service-based RSUs granted is based on the closing price of the MFLEX's common stock on the date of grant.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. This model also requires the input of highly subjective assumptions including:

(a) expected volatility of MFLEX's common stock price, which MFLEX determines based on historical volatility of MFLEX's common stock;
(b) expected dividends, which are zero, as MFLEX does not currently anticipate issuing dividends;
(c) expected term of the stock option or SSAR, which is estimated based on the historical stock option and SSAR exercise behavior of MFLEX's employees; and
(d) risk free interest rate, which is based on observed interest rates (zero coupon U.S. Treasury debt securities) appropriate for the expected holding period.

No stock options were granted during the financial year.

MFLEX Service and Performance-Based Restricted Stock Units

During the financial year, MFLEX granted service-based restricted stock units ("RSU" or "RSUs") equal to 63,780 shares of MFLEX's common stock. These grants were made under the MFLEX 2014 Equity Incentive Plan to certain employees (including executive officers) and directors at no cost to such individuals. Each RSU represents one hypothetical share of MFLEX's common stock, without voting or dividend rights. The RSUs granted to employees generally vest over a period of three years with one-third vesting on each of the anniversary dates of the grant date. Total compensation cost related to RSUs is determined based on the fair value of MFLEX's common stock on the date of grant and is amortised into expense over the vesting period using the straight-line method.

MFLEX also grants performance-based RSUs to certain employees (including executive officers) from time to time. For such performance-based RSUs, MFLEX records stock-based compensation cost based on the grant-date fair value and the probability that the performance metrics will be achieved. MFLEX's management generally considers the probability that the performance metrics will be achieved to be a 70% chance or greater ("Probability Threshold"). At the end of each reporting period, MFLEX evaluates the awards to determine if the related performance metrics meet the Probability Threshold. If MFLEX determines that the vesting of any of the outstanding performance-based RSUs does not meet the Probability Threshold, the stock-based compensation expense related to those performance-based RSUs is reversed in the period in which this determination is made. However, if at a future date conditions have changed and the Probability Threshold is deemed to be met, the previously reversed stock compensation expense, as well as all subsequent projected stock-based compensation expense through the date of evaluation, is recognised in the period in which this new determination is made. No performance-based RSUs were granted during the financial year.

DIRECTORS' STATEMENT

OPTIONS *(continued)*

(b) Multi-Fineline Electronix, Inc. ("MFLEX") *(continued)*
Multi-Fineline Electronix, Inc. 2014 Equity Incentive Plan ("MFLEX 2014 Equity Incentive Plan") *(continued)*
Multi-Fineline Electronix, Inc. 2004 Stock Incentive Plan ("MFLEX 2004 Stock Incentive Plan") *(continued)*

MFLEX Stock Appreciation Rights

No SSARs were granted during the financial year. During the financial period 2013, the Administrator approved the grant of SSARs to be settled in MFLEX common stock. These grants were made under the MFLEX 2004 Stock Incentive Plan to certain employees (including executive officers) at no cost to such individual. Each SSAR has a base appreciation amount that is equal to the closing price of a share of MFLEX's common stock on each applicable grant date as reported on the NASDAQ Global Select Market. The SSARs granted to employees generally vest either over a period of three years with one-third vesting on each of the anniversary dates of the grant date or may vest completely on the third anniversary date of the grant date and have a contractual life of 10 years. MFLEX's SSARs are treated as equity awards and are measured using the initial compensation element of the award at the time of grant and the expense is recognised over the requisite service period (the vesting period) with an exercise price equal to the stock price on the date of grant. Upon exercise, each SSAR will be settled in MFLEX's common stock. Whole MFLEX shares will be issued based on the percentage of share appreciation between the weighted-average price per share for all grant dates and the fair market value per share on the exercise date, multiplied by the number of SSARs units being exercised. Total compensation cost related to SSARs is recognised over the vesting period and is determined based on the whole number of shares issued multiplied by the grant date fair value.

Movement in the number of unissued ordinary shares under options, RSUs and SSARs during the financial year was as follows:

Date of grant	Exercise period/ vesting period	Exercise price	Balance as at 01.01.2015	Options granted	Shares under option exercised	Shares under option lapsed	Balance as at 31.12.2015
04.03.2005	04.03.2006 to 04.03.2015	US$20.81	15,000	–	–	15,000	–
# 05.12.2008	05.12.2011 to 05.12.2018	US$10.76	41,237	–	18,004	–	23,233
# 05.03.2009	05.12.2011 to 05.03.2019	US$12.70	34,938	–	15,254	–	19,684
# 05.06.2009	05.12.2011 to 05.06.2019	US$21.90	20,260	–	4,850	–	15,410
# 04.09.2009	05.12.2011 to 04.09.2019	US$28.58	15,524	–	–	2,186	13,338
# 16.11.2009	16.11.2012 to 30.11.2019	US$25.96	117,567	–	–	17,425	100,142
# 15.11.2010	15.11.2011 to 15.11.2020	US$22.17	108,948	–	27,753	–	81,195
# 14.11.2011	15.11.2012 to 14.11.2021	US$19.65	141,107	–	50,078	–	91,029
# 13.11.2012	15.11.2013 to 15.11.2015	US$17.90	216,092	–	70,315	–	145,777

DIRECTORS' STATEMENT

OPTIONS *(continued)*

(b) Multi-Fineline Electronix, Inc. ("MFLEX") *(continued)*
Multi-Fineline Electronix, Inc. 2014 Equity Incentive Plan ("MFLEX 2014 Equity Incentive Plan") *(continued)*
Multi-Fineline Electronix, Inc. 2004 Stock Incentive Plan ("MFLEX 2004 Stock Incentive Plan") *(continued)*

Date of grant	Exercise period/ vesting period	Exercise price	Balance as at 01.01.2015	Options granted	Shares under option exercised	Shares under option lapsed	Balance as at 31.12.2015
* 18.12.2012	30.09.2015@	US$0.00	72,031	–	62,843	9,188	–
* 27.06.2013	⌖⌖⌖	US$0.00	57,300	–	26,350	4,600	26,350
* 01.07.2013	⌖⌖⌖	US$0.00	2,400	–	1,200	–	1,200
* 11.11.2013	◈	US$0.00	183,292	–	–	23,379	159,913
* 11.11.2013	⌖⌖⌖	US$0.00	148,287	–	66,145	15,996	66,146
* 13.11.2013	⌖⌖⌖	US$0.00	1,400	–	700	–	700
* 19.12.2013	◈	US$0.00	78,553	–	–	10,019	68,534
* 02.01.2014	⌖⌖⌖	US$0.00	2,100	–	700	–	1,400
* 04.03.2014	⌖⌖⌖	US$0.00	7,500	–	2,500	3,000	2,000
* 20.03.2014	05.03.2015	US$0.00	37,116	–	37,116	–	–
* 29.04.2014	⌖⌖⌖	US$0.00	1,800	–	600	–	1,200
* 25.09.2014	⌖⌖⌖	US$0.00	2,700	–	900	–	1,800
* 22.10.2014	01.01.2016 to 01.01.2018	US$0.00	588,312	–	–	77,094	511,218
* 22.10.2014	◈	US$0.00	383,474	–	–	42,462	341,012
* 09.12.2014	⌖⌖⌖	US$0.00	2,100	–	700	–	1,400
* 05.03.2015	05.03.2016	US$0.00	–	22,680	–	–	22,680
* 19.03.2015	⌖⌖⌖	US$0.00	–	2,100	–	–	2,100
* 24.04.2015	⌖⌖⌖	US$0.00	–	3,000	–	–	3,000
* 15.06.2015	⌖⌖⌖	US$0.00	–	36,000	–	–	36,000

* RSUs.
\# SSARs.
⌖⌖⌖ vests 1/3 annually from date of grant.
◈ vests based on performance targets set by MFLEX's management.
@ conversion of performance-based RSUs to service-based RSUs as a result of the change in control that occurred during May 2013.

DIRECTORS' STATEMENT

OPTIONS *(continued)*

(c) 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 2015, there were no outstanding options in respect of unissued shares of PSPL.

AUDIT & RISK COMMITTEE

The members of the Audit & Risk Committee (ARC) during the financial year and at the date of this report are:

Koh Beng Seng	Chairman, Independent and Non-Executive Director
Dr Michael Lim Chun Leng	Independent and Non-Executive Director
David Wong Cheong Fook	Independent and Non-Executive Director

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 Listing Manual of the SGX-ST. In performing its functions, the Committee 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 2016 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 2015.

AUDITOR

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

On behalf of the board of directors,

TAN NGIAP JOO
Director

NORMAN IP KA CHEUNG
Director

18 March 2016
Singapore

INDEPENDENT AUDITOR'S REPORT

To the Members of United Engineers Limited

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of United Engineers Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 54 to 147, which comprise the statements of financial position of the Group and the Company as at 31 December 2015, 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 a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY 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 Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

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.

ERNST & YOUNG LLP
Public Accountants and
Chartered Accountants
Singapore

18 March 2016

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2015

	Note	GROUP 2015 $000	GROUP 2014 $000
Continuing operations			
Revenue	4	1,856,993	3,209,321
Cost of sales		(1,516,417)	(2,794,731)
Gross profit		340,576	414,590
Other items of income			
Interest income	5	4,460	3,183
Other income	6	43,680	19,380
Other items of expense			
Distribution costs		(46,187)	(98,610)
Administrative expenses		(141,480)	(172,618)
Finance costs	7	(37,139)	(41,965)
Other expenses		(31,692)	(47,921)
Share of profit from equity-accounted associates		1,853	97
Share of profit/(loss) from equity-accounted joint ventures		2,543	(382)
Profit before tax from continuing operations	8	136,614	75,754
Income tax expense	9	(6,593)	(35,267)
Profit from continuing operations, net of tax		130,021	40,487
Discontinued operation			
Profit from discontinued operation, net of tax	10	–	90,055
Profit net of tax		130,021	130,542
Profit/(loss) attributable to:			
Owners of the Company			
- Continuing operations, net of tax		102,210	46,036
- Discontinued operation, net of tax		–	77,547
		102,210	123,583
Non-controlling interests			
- Continuing operations, net of tax		27,811	(5,549)
- Discontinued operation, net of tax		–	12,508
		27,811	6,959
Earnings per stock unit - continuing operations attributable to owners of the Company (cents)			
Basic	11(a)	16.0	7.2
Diluted	11(a)	16.0	7.2
Earnings per stock unit (cents)			
Basic	11(b)	16.0	19.4
Diluted	11(b)	16.0	19.4

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 2015

	GROUP	
	2015 $000	2014 $000
Profit net of tax	130,021	130,542
Other comprehensive income		
Items that will not be reclassified to income statement:		
Remeasurements of defined benefit pension plans	123	(4,161)
Items that may be reclassified subsequently to income statement:		
Gains on exchange differences on translation, net of tax	5,449	29,192
(Losses)/gains on remeasuring available-for-sale financial assets, net of tax	(2,667)	87
Realisation of reserves on disposal of available-for-sale financial assets, net of tax	(5,759)	–
Realisation of reserves on disposal of subsidiaries, net of tax	–	(5,324)
Share of other comprehensive income from equity-accounted associates, net of tax	2,279	(298)
	(698)	23,657
Other comprehensive income, net of tax	(575)	19,496
Total comprehensive income	129,446	150,038
Attributable to:		
Owners of the Company	89,158	130,312
Non-controlling interests	40,288	19,726
Total comprehensive income for the year	129,446	150,038
Attributable to:		
Owners of the Company		
Total comprehensive income from continuing operations, net of tax	89,158	45,581
Total comprehensive income from discontinued operation, net of tax	–	84,731
Total comprehensive income for the year attributable to owners of the Company	89,158	130,312

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

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2015

	Note	GROUP 2015 $000	GROUP 2014 $000	COMPANY 2015 $000	COMPANY 2014 $000
ASSETS					
Non-current assets					
Property, plant and equipment	12	359,385	389,315	23,424	23,813
Investment properties	13	1,857,542	1,847,071	676,572	675,100
Intangible assets	14	30,023	30,965	–	–
Interests in subsidiaries	15	–	–	1,343,594	1,216,472
Interests in associates	16	125,469	115,706	315	315
Interests in joint ventures	17	57,135	93,224	–	–
Deferred tax assets	18	61,981	56,522	–	–
Other investments	19	23,829	32,220	1,078	6,808
Trade and other receivables	21	–	104	–	–
Total non-current assets		2,515,364	2,565,127	2,044,983	1,922,508
Current assets					
Inventories	20	109,103	122,122	–	–
Income tax receivables		638	2,037	–	–
Trade and other receivables	21	231,796	298,343	44,962	44,836
Gross amount due from customers for contract work	22	42,448	39,004	–	–
Prepayments		10,094	12,663	2,355	2,023
Properties held for sale	23	1,023,838	1,130,137	–	–
Bank balances and deposits	24	544,127	650,247	14,188	60,276
		1,962,044	2,254,553	61,505	107,135
Assets of disposal group classified as held for sale	10	2,185	80,734	–	–
Total current assets		1,964,229	2,335,287	61,505	107,135
Total assets		4,479,593	4,900,414	2,106,488	2,029,643
EQUITY AND LIABILITIES					
Equity					
Share capital	25(a)	807,519	807,270	807,519	807,270
Treasury shares	25(b)	(62,313)	(62,313)	–	–
Retained earnings		1,078,829	1,037,857	785,094	795,743
Other reserves	26	6,568	21,032	3,929	9,694
Equity attributable to owners of the Company		1,830,603	1,803,846	1,596,542	1,612,707
Non-controlling interests		556,864	576,348	–	–
Total equity		2,387,467	2,380,194	1,596,542	1,612,707
Non-current liabilities					
Provisions	28	84,249	102,834	–	–
Deferred tax liabilities	18	80,388	78,076	–	–
Trade and other payables	29	3,166	2,553	–	–
Borrowings	27	829,458	1,383,134	250,295	276,068
Total non-current liabilities		997,261	1,566,597	250,295	276,068
Current liabilities					
Provisions	28	21,813	14,861	–	–
Income tax payable		34,976	61,511	3,206	4,658
Trade and other payables	29	420,843	508,209	21,545	21,210
Borrowings	27	614,303	333,775	234,900	115,000
Gross amount due to customers for contract work	22	2,364	3,035	–	–
		1,094,299	921,391	259,651	140,868
Liabilities of disposal group classified as held for sale	10	566	32,232	–	–
Total current liabilities		1,094,865	953,623	259,651	140,868
Total liabilities		2,092,126	2,520,220	509,946	416,936
Total equity and liabilities		4,479,593	4,900,414	2,106,488	2,029,643

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 2015

GROUP

		Attributable to owners of the Company					
	Total equity $000	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 01/01/2015	2,380,194	1,803,846	807,270	(62,313)	1,037,857	21,032	576,348
Profit for the year	130,021	102,210	–	–	102,210	–	27,811
Remeasurements of defined benefit pension plans	123	83	–	–	83	–	40
Gains/(losses) on exchange differences on translation, net of tax	5,449	(6,988)	–	–	–	(6,988)	12,437
Losses on remeasuring available-for-sale financial assets, net of tax	(2,667)	(2,667)	–	–	–	(2,667)	–
Realisation of reserves to income statement on disposal of available-for-sale financial assets, net of tax	(5,759)	(5,759)	–	–	–	(5,759)	–
Share of other comprehensive income from equity-accounted associate, net of tax	2,279	2,279	–	–	–	2,279	–
Other comprehensive income for the year	(575)	(13,052)	–	–	83	(13,135)	12,477
Total comprehensive income for the year	129,446	89,158	–	–	102,293	(13,135)	40,288
Contributions by and distributions to owners							
Ordinary shares issued on exercise of share options converted into ordinary stocks	249	249	249	–	–	–	–
Dividends paid (Note 30)	(61,603)	(61,603)	–	–	(61,603)	–	–
Dividend paid to non-controlling interests	(54,402)	–	–	–	–	–	(54,402)
Total contributions by and distributions to owners	(115,756)	(61,354)	249	–	(61,603)	–	(54,402)
Changes in ownership interests in subsidiaries							
Additional interests in subsidiaries	(2,354)	1,043	–	–	–	1,043	(3,397)
Dilution of interests in subsidiaries	9	(4,124)	–	–	–	(4,124)	4,133
Disposal of interests in subsidiaries and associates	(10,097)	(8)	–	–	–	(8)	(10,089)
Employee share option scheme/ share appreciation rights:							
- value of employee services	6,025	3,348	–	–	–	3,348	2,677
Reallocation of losses assumed by owners of the Company	–	(1,306)	–	–	(1,306)	–	1,306
Reclassification of reserves to retained earnings upon disposal of interests in subsidiaries	–	–	–	–	1,588	(1,588)	–
Total changes in ownership interests in subsidiaries	(6,417)	(1,047)	–	–	282	(1,329)	(5,370)
Total transactions with owners in their capacity as owners	(122,173)	(62,401)	249	–	(61,321)	(1,329)	(59,772)
Closing balance at 31/12/2015	2,387,467	1,830,603	807,519	(62,313)	1,078,829	6,568	556,864

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 2015

GROUP

		Attributable to owners of the Company					
	Total equity $000	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 01/01/2014	2,521,356	1,711,660	793,811	(62,313)	943,447	36,715	809,696
Profit for the year	130,542	123,583	–	–	123,583	–	6,959
Remeasurements of defined benefit pension plans	(4,161)	(2,813)	–	–	(2,813)	–	(1,348)
Gains on exchange differences on translation, net of tax	29,192	15,077	–	–	–	15,077	14,115
Gains on remeasuring available-for-sale financial assets, net of tax	87	87	–	–	–	87	–
Realisation of reserves to income statement on disposal of subsidiaries, net of tax	(5,324)	(5,324)	–	–	–	(5,324)	–
Share of other comprehensive income from equity-accounted associate, net of tax	(298)	(298)	–	–	–	(298)	–
Other comprehensive income for the year	19,496	6,729	–	–	(2,813)	9,542	12,767
Total comprehensive income for the year	150,038	130,312	–	–	120,770	9,542	19,726
Contributions by and distributions to owners							
Ordinary shares issued on conversion of convertible bonds converted into ordinary stocks	12,044	12,044	12,044	–	–	–	–
Ordinary shares issued on exercise of share options converted into ordinary stocks	1,415	1,415	1,415	–	–	–	–
Equity portion of convertible bonds	(9)	(9)	–	–	–	(9)	–
Transfer of equity component of convertible bonds to retained earnings upon lapse of the conversion option	–	–	–	–	14,658	(14,658)	–
Dividends paid (Note 30)	(43,110)	(43,110)	–	–	(43,110)	–	–
Dividend paid to non-controlling interests	(15,556)	–	–	–	–	–	(15,556)
Total contributions by and distributions to owners	(45,216)	(29,660)	13,459	–	(28,452)	(14,667)	(15,556)

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 2015

GROUP *(continued)*

		Attributable to owners of the Company					
	Total equity $000	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
Changes in ownership interests in subsidiaries							
Additional interests in subsidiaries	(133,597)	(8,892)	–	–	–	(8,892)	(124,705)
Contribution from non-controlling interests	984	–	–	–	–	–	984
Dilution of interests in subsidiaries	(690)	(3,662)	–	–	–	(3,662)	2,972
Disposal of interests in subsidiaries	(120,235)	–	–	–	–	–	(120,235)
Employee share option scheme/ share appreciation rights:							
- value of employee services	5,360	2,977	–	–	–	2,977	2,383
Income tax benefit arising from share-based compensation	2,194	1,111	–	–	–	1,111	1,083
Reclassification of reserves to retained earnings upon disposal of interests in subsidiaries	–	–	–	–	2,092	(2,092)	–
Total changes in ownership interests in subsidiaries	(245,984)	(8,466)	–	–	2,092	(10,558)	(237,518)
Total transactions with owners in their capacity as owners	(291,200)	(38,126)	13,459	–	(26,360)	(25,225)	(253,074)
Closing balance at 31/12/2014	2,380,194	1,803,846	807,270	(62,313)	1,037,857	21,032	576,348

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 2015

COMPANY

	Total equity $000	Share capital (Note 25(a)) $000	Retained earnings $000	Other reserves (Note 26) $000
Opening balance at 01/01/2015	1,612,707	807,270	795,743	9,694
Profit for the year	53,125	–	53,125	–
Losses on remeasuring available-for-sale financial assets, net of tax	(6)	–	–	(6)
Realisation of reserves to income statement on disposal of available-for-sale financial assets, net of tax	(5,759)	–	–	(5,759)
Other comprehensive income for the year	(5,765)	–	–	(5,765)
Total comprehensive income for the year	47,360	–	53,125	(5,765)
Contributions by and distributions to owners				
Ordinary shares issued on exercise of share options converted into ordinary stocks	249	249	–	–
Dividends paid (Note 30)	(63,774)	–	(63,774)	–
Total transactions with owners in their capacity as owners	(63,525)	249	(63,774)	–
Closing balance at 31/12/2015	1,596,542	807,519	785,094	3,929
Opening balance at 01/01/2014	1,476,194	793,811	657,678	24,705
Profit for the year	168,037	–	168,037	–
Losses on remeasuring available-for-sale financial assets, net of tax	(359)	–	–	(359)
Other comprehensive income for the year	(359)	–	–	(359)
Total comprehensive income for the year	167,678	–	168,037	(359)
Contributions by and distributions to owners				
Ordinary shares issued on conversion of convertible bonds converted into ordinary stocks	12,044	12,044	–	–
Ordinary shares issued on exercise of share options converted into ordinary stocks	1,415	1,415	–	–
Dividends paid (Note 30)	(44,630)	–	(44,630)	–
Equity portion of convertible bonds	6	–	–	6
Transfer of equity component of convertible bonds to retained earnings upon lapse of the conversion option	–	–	14,658	(14,658)
Total transactions with owners in their capacity as owners	(31,165)	13,459	(29,972)	(14,652)
Closing balance at 31/12/2014	1,612,707	807,270	795,743	9,694

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 2015

	GROUP	
	2015 $000	2014 $000
Cash flows from operating activities		
Profit before tax from continuing operations	136,614	75,754
Profit before tax from discontinued operation	–	100,301
Profit before tax	136,614	176,055
Amortisation of intangible assets	2,393	3,622
Depreciation of property, plant and equipment	82,495	97,229
Dividend income from other investments	(2,519)	(2,914)
Finance costs	37,139	43,264
Gain on disposal of available-for-sale financial assets	(5,484)	(37)
Gain on disposal of assets of disposal group classified as held for sale	(8,469)	(1,365)
Impairment loss on intangible assets	846	6,330
Interest income	(4,460)	(6,584)
Loss/(gain) on disposal of property, plant and equipment	513	(2,651)
Loss on fair value adjustment on held for trading investments	–	4
Net gain on disposal/liquidation of subsidiaries, associates and joint ventures	(16,064)	(50,780)
Net inventories (written-back)/written-down	(15,770)	17,623
Properties held for sale written-down	12,489	15,858
Property, plant and equipment written-off	149	840
Reversal of impairment loss on property, plant and equipment	–	(21,151)
Share-based compensation expenses	6,066	5,526
Share of (profit)/loss from equity-accounted associates and joint ventures	(4,396)	2,845
Surplus on revaluation of investment properties	(2,179)	–
Unrealised exchange loss/(gain)	7,591	(9,581)
Operating cash flows before changes in working capital	226,954	274,133
Properties held for sale		
- Development expenditure	(164,763)	(207,507)
- Proceeds from progress billings	255,567	347,934
(Decrease)/increase in trade and other payables and provisions	(59,206)	88,015
Decrease in gross amount due to customers for contract work	(310)	(17,023)
Decrease in inventories	27,380	18,716
Decrease/(increase) in trade and other receivables	68,987	(62,846)
Increase in gross amount due from customers for contract work	(3,992)	(32,721)
Cash flows from operations	350,617	408,701
Share-based payments	–	(149)
Income taxes paid	(37,137)	(77,081)
Interest paid	(44,529)	(51,890)
Interest received	3,501	6,572
Net cash flows from operating activities	272,452	286,153

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 2015

	GROUP	
	2015 $000	2014 $000
Cash flows from investing activities		
Acquisition of intangible assets	(1,560)	(607)
Acquisition of non-controlling interests	(2,354)	(133,597)
Change in restricted deposits	43,578	(106,126)
Decrease/(increase) in amounts due from associates and joint ventures	5	(5,846)
Decrease in loans to joint ventures	–	441
Disposal of subsidiaries, net of cash disposed of (Note A)	(2,548)	397,203
Dividends received from associates	10,747	584
Dividends received from joint ventures	24,751	14,116
Dividends received from other investments	2,519	2,914
Investments in associates	(479)	–
Investments in joint ventures	–	(3,132)
(Increase)/decrease in loans to associates	(5,463)	4,534
Proceeds from disposal of available-for-sale financial assets	4,471	157
Proceeds from disposal of assets of disposal group classified as held for sale	12,088	16,091
Proceeds from disposal of intangible assets	–	68
Proceeds from disposal of property, plant and equipment	1,883	12,163
Proceeds from settlement of loans extended to disposed subsidiaries	–	353,326
Purchase of property, plant and equipment	(33,955)	(77,865)
Properties development expenditure	(930)	(126,999)
Net cash flows from investing activities	52,753	347,425
Cash flows from financing activities		
Contribution from non-controlling interests	–	984
Distribution to shareholders from striking off of a joint venture	500	–
Dividends paid	(61,603)	(43,110)
Dividends paid to non-controlling interests of subsidiaries	(54,402)	(15,556)
Increase/(decrease) in short-term loans	21,142	(99,923)
Increase/(decrease) in trust receipts and bills payable	5,894	(1,146)
Issuance of shares upon exercise of share options	249	1,415
Proceeds from long-term loans	161,589	141,919
Repayment of long-term loans	(455,171)	(970,686)
Net cash flows used in financing activities	(381,802)	(986,103)
Net decrease in cash and cash equivalents	(56,597)	(352,525)
Cash and cash equivalents, beginning balance	537,818	888,946
Effect of exchange rate changes on cash and cash equivalents	358	1,397
Cash and cash equivalents, ending balance	481,579	537,818
Cash and cash equivalents comprise:		
Bank balances and deposits (Note 24)	544,127	650,247
Restricted deposits (Note 24)	(62,548)	(106,126)
Bank overdrafts (Note 27)	–	(6,303)
Cash and cash equivalents	481,579	537,818

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 2015

Note A: The net assets and liabilities arising from the disposal/liquidation of subsidiaries, associates and joint ventures and the cash flow effects of the disposal/liquidation are as follows:-

	GROUP	
	2015 $000	2014 $000
Property, plant and equipment	4,523	356,745
Investment properties	–	5,014
Properties development costs	–	441,448
Intangible assets	1,469	45,740
Interests in associates	–	100,503
Interests in joint ventures	–	16,993
Deferred tax assets	390	5,340
Other investments	–	401
Inventories	697	144,492
Trade and other receivables	26,693	334,869
Gross amount due from customers for contract work	606	18,391
Properties held for sale	–	152,191
Bank balances and deposits	25,683	289,445
Deferred tax liabilities	–	(44,235)
Income tax payables	(570)	(10,456)
Trade and other payables	(31,084)	(895,011)
Borrowings	(4,407)	(210,001)
Net assets disposed/liquidated	24,000	751,869
Foreign currency translation reserve realised	(6,840)	3,871
Less: Deemed disposal of subsidiaries retained as associates and joint venture	–	(19,636)
Less: Non-controlling interests	(10,089)	(120,235)
Add: Provisions	–	20,000
Net gain on disposal/liquidation of subsidiaries, associates and joint ventures	16,064	50,780
Total consideration in cash	23,135	686,649
Cash and cash equivalents in subsidiaries disposed/liquidated	(25,683)	(289,446)
Net cash (outflow)/inflow arising from disposal/liquidation	(2,548)	397,203

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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.

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 2015. 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 16 and FRS 38 Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to FRS 111 Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Improvements to FRSs (November 2014)	
(a) Amendments to FRS 105 Non-current Assets Held for Sale and Discontinued Operations	1 January 2016
(b) Amendments to FRS 107 Financial Instruments: Disclosures	1 January 2016
Amendments to FRS 110 and FRS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Amendments to FRS 1 Disclosure Initiative	1 January 2016
Amendments to FRS 110, FRS 112 and FRS 28 Investment Entities: Applying the Consolidation Exception	1 January 2016
Amendments to FRS 7 Disclosure Initiative	1 January 2017
Amendments to FRS 12 Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
FRS 115 Revenue from Contracts with Customers	1 January 2018
FRS 109 Financial Instruments	1 January 2018

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

Except for FRS 115 and FRS 109, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 115 and FRS 109 are described below.

FRS 115 Revenue from Contracts with Customers
FRS 115 establishes a five-step model that will apply to revenue arising from contracts with customers. 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 principles in FRS 115 provide a more structured approach to measuring and recognising revenue when the promised goods and services are transferred to the customer i.e. when performance obligations are satisfied.

Key issues for the Group include identifying performance obligations, accounting for contract modifications, applying the constraint to variable consideration, evaluating significant financing components, measuring progress toward satisfaction of a performance obligation, recognising contract cost assets and addressing disclosure requirements.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is currently assessing the impact of FRS 115 and plans to adopt the new standard on the required effective date.

FRS 109 Financial Instruments
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.

FRS 109 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Group is currently assessing the impact of FRS 109 and plans to adopt the 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Revenue recognition *(continued)*

Service concession arrangement
Revenue relating to construction services under a service concession arrangement is recognised based on the stage of completion of the work performed, consistent with the Group's accounting policy on recognising revenue on construction contracts (refer to Note 2.18). Operation or service revenue is recognised in the period in which the services are provided by the Group. When the Group provides more than one service in a service concession arrangement, the consideration received is allocated by reference to the relative fair values of the services delivered.

Revenues from services rendered in respect of water and medical waste treatment concession arrangements are recognised by reference to the unit price and quantity of water and medical waste treated respectively. Unit price is stated in each contract. Quantity of water and medical waste treated is measured according to the contract. Any losses are provided for as and when they become known.

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.

2.7 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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.

2.9 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.9 Income taxes *(continued)*

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 tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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

- Where the goods and services tax/sales tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the goods and services tax/sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of goods and services tax/sales tax included.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

2.11 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.11 Investment properties *(continued)*

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.12 Intangibles *(continued)*

b) *Other intangible assets (continued)*
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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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

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

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

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

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

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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. Derivative, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.15 Financial assets *(continued)*

Subsequent measurement (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.16 Impairment of financial assets *(continued)*

Assets carried at amortised cost (continued)
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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 professional surveys of work performed.

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.

2.19 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 over-runs 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

2.21 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.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is presented in the statements of financial position, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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.

As lessor
Leases where the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.6. Contingent rents are recognised as revenue in the period in which they are earned.

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

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as expense in the income statement on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

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

2.25 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

2.29 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 and 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 Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:
  (i) Has control or joint control over the Company;
  (ii) Has significant influence over the Company; or
  (iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:
  (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  (iii) Both entities are joint ventures of the same third party.
  (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
  (vi) The entity is controlled or jointly controlled by a person identified in (a).
  (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.34 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.35 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 2015 are $34,976,000 (2014: $61,511,000), $80,388,000 (2014: $78,076,000) and $61,981,000 (2014: $56,522,000) 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.

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 2015 was $170,683,000 (2014: $208,687,000). Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. Based on management's estimates, a 5% difference in the expected useful lives of these assets would result in approximately 2% (2014: 4%) variance in the Group's profit before tax from continuing operations for the financial year.

Construction contracts
The Group recognises contract revenue to the extent of contract costs incurred where it is probable those costs will be recoverable or based on the percentage of completion method. The stage of completion is measured by reference to professional surveys of work performed.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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

3.2 Key sources of estimation uncertainty *(continued)*

Construction contracts (continued)
Significant assumptions are 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. In making the estimation, the Group evaluates by relying on past experience and knowledge of the project engineers and/or the work of specialists. An estimation of recoverable variation works amounting to $2,726,000 (2014: $1,856,000) was taken into consideration in arriving at the estimated loss of construction contracts. Any shortfall in recovery of this estimation will impact the results of the Group by the same quantum. The gross amount due from customers for contract work was $42,448,000 (2014: $39,004,000). The gross amount due to customers for contract work was $2,364,000 (2014: $3,035,000).

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 $1,413,000 (2014: $2,226,000).

In the flexible printed circuits business within the Group's Technology and Manufacturing segment, majority of its receivables are concentrated in relatively few customers; therefore, a significant adverse change in the liquidity or financial position of any one customer could make it difficult for the business segment to collect its accounts receivables and this will increase the allowance for impairment.

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 2015. The valuers used a valuation technique based on discounted cash flow models.

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 discount 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

4 REVENUE

	GROUP	
	2015 $000	2014 $000
Sale of goods	1,117,459	1,936,711
Sale of properties held for sale (recognised on percentage of completion basis)	380,389	463,569
Sale of properties held for sale (recognised on completed contract basis)	21,019	416,301
Rendering of services	31,717	133,049
Contract revenue	172,779	131,312
Rental income	131,111	125,468
Dividend income	2,519	2,911
	1,856,993	3,209,321

5 INTEREST INCOME

Interest income from loans and receivables	4,460	3,183

6 OTHER INCOME

Other income includes the following items:

Gain on disposal of available-for-sale financial assets	5,484	37
Gain on disposal of assets of disposal group classified as held for sale	8,469	1,365
Net foreign exchange gains	4,475	44
Net gain on disposal of subsidiaries, associates and joint ventures	16,488	11,636
Surplus on revaluation of investment properties (Note 13)	2,179	–

7 FINANCE COSTS

Interest expense on:		
- Bank loans and bank overdrafts	48,289	63,393
- Convertible bonds	–	268
	48,289	63,661
Less: Interest expense capitalised in:		
- Properties held for sale (Note 23)	(11,150)	(21,696)
Total finance costs	37,139	41,965

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

8 PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

	GROUP	
	2015 $000	2014 $000
Profit before tax from continuing operations is stated after including the following expenses by nature:		
Amortisation of intangible assets (Note 14)	(2,393)	(3,622)
Depreciation of property, plant and equipment (Note 12)	(82,495)	(86,467)
Direct operating expenses arising from investment properties	(33,797)	(35,905)
Impairment loss on financial assets:		
- Trade receivables (Note 21)	(6,462)	(1,742)
- Other receivables (Note 21)	(501)	(1,841)
Impairment loss on intangible assets (Note 14)	(846)	(6,330)
Inventories recognised as an expense in cost of sales	(668,070)	(639,001)
(Loss)/gain on disposal of property, plant and equipment	(513)	2,238
Net inventories written-back/(written-down)	15,770	(17,623)
Reversal of impairment loss on property, plant and equipment (Note 12)	–	21,151
Properties held for sale written-down	(12,489)	(15,858)
Realisation of translation reserve upon liquidation of subsidiaries	(424)	(4,382)
Restructuring expenses	(316)	(20,042)
Staff costs (including director's remuneration)		
- Salaries, wages, bonuses and other costs	(263,258)	(377,657)
- Central Provident Fund and other defined contribution plans	(35,664)	(44,852)
Audit fees:		
- Auditor of the Company	(660)	(1,024)
- Other auditors	(2,628)	(928)
Non-audit fees:		
- Auditor of the Company	(149)	(333)
- Other auditors	(1,152)	(475)
Total audit and non-audit fees	(4,589)	(2,760)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

9 INCOME TAX EXPENSE

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

	GROUP	
	2015 $000	2014 $000
Income Statement		
Current income tax – continuing operations:		
- Current income taxation	24,347	24,678
- Over provision in respect of prior years	(14,603)	(3,139)
	9,744	21,539
Deferred tax – continuing operations (Note 18):		
- Origination and reversal of temporary differences	(3,151)	13,728
Income tax attributable to continuing operations	6,593	35,267
Income tax attributable to discontinued operation (Note 10)	–	10,246
Income tax expense recognised in the income statement	6,593	45,513

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	
	2015 %	2014 %
Applicable tax rate	17.0	17.0
Adjustments:		
Expenses not deductible for tax purposes	10.9	27.0
Income not subject to tax	(10.0)	(25.9)
Utilisation of previously unrecognised deferred tax assets	(1.3)	(11.1)
Utilisation of tax losses/capital allowances under group relief	(2.9)	(0.2)
Losses of subsidiaries not utilised and not available under group relief	4.5	24.6
Over provision of income tax in respect of prior years	(10.7)	(1.3)
Effect of differences in tax rates in other countries where the Group operates	(2.2)	(4.5)
Share of (profit)/loss from equity-accounted associates and joint ventures	(0.5)	0.3
Effective tax rate	4.8	25.9

Tax losses and capital allowances of $518,000 (2014: $14,073,000) and $1,865,000 (2014: $5,400,000) respectively 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).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

10 DISCONTINUED OPERATION AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

Disposal group classified as held for sale

2015
The disposal group classified as held for sale as at 31 December 2015 comprised the following transactions:

(a) The Group entered into conditional sale and purchase agreements with Zhang Xiaodong and Wu Liang to dispose of its entire interests in Suzhou Speedling Co., Ltd. for a consideration of approximately RMB 5.5 million (equivalent to approximately $1.2 million) subject to relevant authority's approval in China.

2014
The disposal group classified as held for sale as at 31 December 2014 comprised the following transactions:

(a) The Group entered into conditional agreement with Panasonic Asia Pacific Pte. Ltd. to dispose of its entire 12.9% shareholding interest in an associated company, RFNet Technologies Pte Ltd, for a consideration of approximately $2.4 million. The disposal was completed in January 2015.

(b) The Company's wholly-owned subsidiary, UE UMC Pte Ltd entered into a conditional sale and purchase agreement for the sale of its entire 60% shareholding interest in its subsidiary, Tangshan UE Shengxing Renewable Resources Co., Ltd. (UETS) to Chemoil Environment Holding Pte. Ltd. for a consideration of RMB 6 million (equivalent to approximately $1.3 million). The divestment of UETS was completed in January 2015.

(c) The Company's wholly-owned subsidiary, United Engineers Developments Pte Ltd entered into a conditional sale and purchase agreement for the sale of its entire 51% shareholding interest in its subsidiaries, (1) United Managed Solutions Pte Ltd and its subsidiaries (collectively known as "UEMS Group") and (2) UE ServiceCorp (Taiwan) Limited (UESC) to Asia Facility Solutions Pte. Ltd. for a consideration of $12.2 million and $0.5 million respectively. The divestments of UEMS Group and UESC were completed in January 2015.

(d) The Group entered into a conditional sale and purchase agreement with Cao Jun Qi and Liu Yan to dispose of its investment property at No. 211 Qing Nian Da Jie, Shenhe District, Shenyang City, Liaoning Province, China 110015.

In view that the buyers have difficulty in securing the financing arrangement and the time for completion of a sale could not be estimated, this property has been reclassified to "Investment Property" as at 31 December 2015 as it no longer meets the criteria to be classified as "held for sale".

(e) MFLEX announced a restructuring plan to consolidate its production facilities to reduce the total manufacturing floor space by approximately one-third. As part of the restructuring, MFLEX Chengdu, along with two satellite manufacturing facilities in MFLEX Suzhou, China (one of which is a leased facility), were consolidated into MFLEX's two main manufacturing plants under MFLEX Suzhou.

Consequently, MFLEX's manufacturing facility in Chengdu and one of the satellite facilities in Suzhou ceased operations, and certain property, plant and equipment in Chengdu and Suzhou ceased to be in use and met the held for sale criteria in accordance with FRS 105.

MFLEX completed the sale of one of its satellite facilities in Suzhou, China and certain machinery and equipment in the financial year ended 31 December 2015.

Despite MFLEX's intent to sell the manufacturing facility in Chengdu, the time of completion of a sale could not be estimated. As a result, this facility has been reclassified to "Property, plant and equipment" as at 31 December 2015 as it no longer meets the criteria to be classified as "held for sale".

(f) The Group has committed to a plan and has appointed agent to sell its properties at Lot Nos. 9694, 19533 and 19534, Pontian, State of Johor Darul Takzim, Malaysia.

Despite the Group's intent to sell the properties in Malaysia, the time of completion of a sale could not be estimated. As a result, the properties have been reclassified to "Property, plant and equipment" as at 31 December 2015 as it no longer meets the criteria to be classified as "held for sale".

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

10 DISCONTINUED OPERATION AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE *(continued)*

Disposal group classified as held for sale *(continued)*

2014 *(continued)*

	GROUP	
	2015 $000	2014 $000
Details of the assets of disposal group classified as held for sale are as follows:		
Property, plant and equipment	263	25,163
Investment properties (Note 13)	–	7,362
Intangible assets (Note 14)	–	1,441
Interests in associates	–	252
Deferred tax assets	–	388
Inventories	1,044	342
Trade and other receivables	563	25,440
Bank balances and deposits	315	20,346
	2,185	80,734
Details of the liabilities of disposal group classified as held for sale are as follows:		
Income tax payable	–	538
Trade and other payables	566	27,359
Borrowings	–	3,223
Deferred tax liabilities	–	1,112
	566	32,232

Discontinued operation

2014

On 3 October 2014, the Group announced that it has entered into a binding term sheet with Universal EC Investments Pte. Ltd. (UECI) and Southern Capital Group Private Limited pursuant to which UECI has agreed that subject to the fulfilment of certain pre-conditions, it shall make a voluntary conditional offer (the UE E&C Offer) to acquire UE E&C Ltd. (UE E&C) and the Group has undertaken to accept the UE E&C Offer in respect of its entire 68.2% equity interest in UE E&C for a consideration of approximately $230.2 million.

At an EGM held on 28 November 2014, the shareholders of the Company approved the proposed disposal of UE E&C to UECI. On 29 December 2014, the Group announced that it has accepted the voluntary conditional offer made by UECI and UE E&C has thereafter ceased to be a subsidiary of the Company.

As at 31 December 2014, the result of UE E&C has been presented separately on the consolidated income statement as Discontinued Operation.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

10 DISCONTINUED OPERATION AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE *(continued)*

Discontinued operation *(continued)*

2014 *(continued)*

Income statement disclosures

The results for UE E&C Group for the year ended 31 December 2014 are as follows:

	GROUP $000
Revenue	326,192
Expenses	(268,118)
Profit from operations	58,074
Finance costs	(1,299)
Profit before tax from discontinued operation	56,775
Taxation:	
- Related to profit from ordinary activities of the discontinued operation (Note 9)	(10,246)
Profit from discontinued operation, net of tax	46,529
Gain on disposal of subsidiary	43,526
	90,055
Cash flow statement disclosures	
Operating	26,125
Investing	(4,038)
Financing	(24,470)
Net cash outflows	(2,383)
Earnings per stock unit disclosures	
Earnings per stock unit from discontinued operation attributable to owners of the Company (cents)	
Basic	12.2
Diluted	12.2

Basic earnings per stock unit (EPS) from discontinued operation in 2014 is calculated by dividing net profit from discontinued operation attributable to owners of the Company of $77,547,000 by the weighted average number of ordinary stock units in issue during 2014 of 635,688,860.

Diluted EPS from discontinued operation in 2014 is calculated by dividing the net profit from discontinued operation attributable to owners of the Company by the weighted average number of ordinary stock units outstanding during 2014 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

11 EARNINGS PER STOCK UNIT

a) Continuing operations

Basic earnings per stock unit (EPS) from continuing operations is calculated by the 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 the 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	
	2015 $000	2014 $000
Net profit attributable to owners of the Company used in computation of basic and diluted EPS	102,210	123,583
Less: Net profit from discontinued operation attributable to owners of the Company	–	(77,547)
Net profit from continuing operations attributable to owners of the Company used in computation of basic and diluted EPS	102,210	46,036
Less: Preference dividends	(66)	(66)
	102,144	45,970

	No. of shares 000	No. of shares 000
Weighted average number of ordinary stock units applicable to basic EPS	637,122	635,689
Effect of dilutive securities:		
- Share options	101	151
Adjusted weighted average number of ordinary stock units applicable to diluted EPS	637,223	635,840

417,590 (2014: 1,134,546) of share options granted to the employees under the existing employee share option plans have not been included in the calculation of diluted EPS because they are anti-dilutive for the current and previous financial years presented.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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 2014	26,889	12,326	384,755	11,682	457,687	95,781	989,120
Additions	–	435	4,033	3,556	48,225	21,616	77,865
Amount written-off	–	–	(626)	–	(7,265)	(1,151)	(9,042)
Currency realignment	(692)	1,864	3,888	131	(2,642)	555	3,104
Disposal of subsidiaries	–	–	(233,750)	(360)	(152,244)	(60,617)	(446,971)
Disposals	–	–	–	(271)	(17,541)	(11,265)	(29,077)
Reclassification	–	–	–	(8,285)	8,292	(7)	–
Reclassification to assets of disposal group classified as held for sale	–	–	(32,882)	(2,040)	(76,308)	(4,992)	(116,222)
At 31 December 2014 and 1 January 2015	26,197	14,625	125,418	4,413	258,204	39,920	468,777
Additions	247	109	463	696	25,295	7,145	33,955
Amount written-off	–	–	(31)	–	(13,676)	(1,348)	(15,055)
Currency realignment	(686)	2,974	1,192	65	6,594	161	10,300
Disposal of subsidiaries	(392)	(621)	(54)	(2,083)	(2,991)	(4,432)	(10,573)
Disposals	–	–	(733)	(762)	(9,619)	(3,920)	(15,034)
Reclassification	–	–	–	(72)	62	10	–
Reclassification from/(to) assets of disposal group classified as held for sale	283	8,140	9,926	2,040	(1,240)	1,588	20,737
At 31 December 2015	25,649	25,227	136,181	4,297	262,629	39,124	493,107
Accumulated depreciation and impairment loss							
At 1 January 2014	–	(1,355)	(13,978)	(349)	(165,386)	(25,809)	(206,877)
Amount written-off	–	–	462	–	6,667	1,073	8,202
Charge for the financial year							
- Continuing operations	–	(1,266)	(14,013)	–	(56,689)	(14,569)	(86,537)
- Discontinued operation	–	–	(938)	–	(9,565)	(842)	(11,345)
Currency realignment	–	(1,499)	(1,856)	–	(9,808)	(448)	(13,611)
Disposal of subsidiaries	–	–	15,626	–	64,019	11,047	90,692
Disposals	–	–	–	–	14,358	7,209	21,567
Impairment loss/ (reversal of impairment loss)	–	–	(14,491)	–	36,471	(829)	21,151
Reclassification to assets of disposal group classified as held for sale	–	–	22,800	–	70,416	4,080	97,296
At 31 December 2014 and 1 January 2015	–	(4,120)	(6,388)	(349)	(49,517)	(19,088)	(79,462)
Amount written-off	–	–	22	–	13,643	1,241	14,906
Charge for the financial year							
- Continuing operations	–	(1,914)	(8,597)	–	(65,323)	(6,730)	(82,564)
Currency realignment	–	(2,553)	(624)	–	(3,509)	(44)	(6,730)
Disposal of subsidiaries	–	320	–	–	2,304	3,426	6,050
Disposals	–	–	508	–	9,316	2,815	12,639
Reclassification (from)/to assets of disposal group classified as held for sale	–	(2,038)	2,320	–	1,140	17	1,439
At 31 December 2015	–	(10,305)	(12,759)	(349)	(91,946)	(18,363)	(133,722)
Net book value							
At 31 December 2014	26,197	10,505	119,030	4,064	208,687	20,832	389,315
At 31 December 2015	25,649	14,922	123,422	3,948	170,683	20,761	359,385

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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 2014	25,938	–	7,747	33,685
Additions	–	281	1,302	1,583
Disposals	–	–	(602)	(602)
At 31 December 2014 and 1 January 2015	25,938	281	8,447	34,666
Additions	–	194	1,059	1,253
Disposals	–	–	(547)	(547)
At 31 December 2015	25,938	475	8,959	35,372
Accumulated depreciation				
At 1 January 2014	(2,948)	–	(6,971)	(9,919)
Charge for the financial year	(786)	–	(696)	(1,482)
Disposals	–	–	548	548
At 31 December 2014 and 1 January 2015	(3,734)	–	(7,119)	(10,853)
Charge for the financial year	(786)	–	(432)	(1,218)
Disposals	–	–	123	123
At 31 December 2015	(4,520)	–	(7,428)	(11,948)
Net book value				
At 31 December 2014	22,204	281	1,328	23,813
At 31 December 2015	21,418	475	1,531	23,424

	GROUP	
	2015 $000	2014 $000
The depreciation charge for the financial year in the income statement is as follows:		
Depreciation for the financial year	82,564	97,882
Current financial year's depreciation capitalised	(69)	(653)
	82,495	97,229
Less: Attributable to discontinued operation		
Depreciation for the financial year	–	(11,345)
Current financial year's depreciation capitalised	–	583
	–	(10,762)
Charged to the income statement – continuing operations (Note 8)	82,495	86,467

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

Leasehold land and buildings	5,165	2,504

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

13 INVESTMENT PROPERTIES

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

	GROUP		COMPANY	
	2015 $000	2014 $000	2015 $000	2014 $000
Statement of financial position:				
(a) Freehold land and buildings				
At 1 January	839,815	838,455	–	–
Currency realignment	–	(3)	–	–
Revaluation surplus recognised in the income statement (Note 6)	1,451	–	–	–
Subsequent expenditure	186	1,363	–	–
At 31 December	841,452	839,815	–	–
(b) Long leasehold land and buildings				
At 1 January	676,173	676,080	675,100	675,000
Currency realignment	–	(7)	–	–
Revaluation surplus recognised in the income statement (Note 6)	728	–	728	–
Subsequent expenditure	744	100	744	100
At 31 December	677,645	676,173	676,572	675,100
(c) Leasehold land and buildings				
At 1 January	331,083	356,388	–	–
Currency realignment	–	(424)	–	–
Disposal of subsidiaries	–	(5,014)	–	–
Disposals	–	(12,505)	–	–
Transfer from/(to) assets of disposal group classified as held for sale (Note 10)	7,362	(7,362)	–	–
At 31 December	338,445	331,083	–	–
At valuation	1,857,542	1,847,071	676,572	675,100
Income statement:				
Rental income from investment properties:				
- Minimum lease payments	81,738	80,110	39,409	38,555
Direct operating expenses (including repairs and maintenance) (Note 8) arising from continuing operations:				
- Rental generating properties	33,725	35,571	19,787	20,129
- Non-rental generating properties	72	334	–	–

Investment properties are stated at their fair value, which has been determined based on independent professional valuations performed as at 31 December 2015 and 31 December 2014. The valuations were performed by DTZ Debenham Tie Leung (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 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 $1,128,000,000 (2014: $1,125,000,000) have been mortgaged to secure term loan facilities for certain subsidiaries (Note 27).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

14 INTANGIBLE ASSETS

	Concession rights $000	Distributorship and dealership rights $000	Development costs and technical know-how $000	Customer relationships $000	Goodwill $000	Others[1] $000	Total $000
GROUP							
Cost							
At 1 January 2014	29,299	38,618	13,734	4,295	21,167	4,063	111,176
Additions – internal development	–	–	476	–	–	131	607
Currency realignment	686	4	–	–	–	31	721
Disposal	–	–	(80)	–	–	–	(80)
Disposal of subsidiaries	–	(38,622)	–	–	(9,711)	(18)	(48,351)
Transfer to assets of disposal group classified as held for sale (Note 10)	–	–	–	–	–	(2,987)	(2,987)
At 31 December 2014 and 1 January 2015	29,985	–	14,130	4,295	11,456	1,220	61,086
Additions – internal development	–	–	1,458	–	–	102	1,560
Currency realignment	896	–	–	–	–	40	936
Transfer from assets of disposal group classified as held for sale (Note 10)	–	–	–	–	–	2,987	2,987
Disposal of subsidiaries	–	–	–	–	–	(3,016)	(3,016)
At 31 December 2015	30,881	–	15,588	4,295	11,456	1,333	63,553
Accumulated amortisation and impairment losses							
At 1 January 2014	(4,294)	(1,141)	(11,886)	(997)	(3,423)	(2,497)	(24,238)
Amortisation	(1,163)	(1,474)	(478)	(432)	–	(75)	(3,622)
Currency realignment	(103)	–	–	–	–	(2)	(105)
Disposal	–	–	13	–	–	–	13
Disposal of subsidiaries	–	2,615	–	–	–	–	2,615
Impairment loss	–	–	–	–	(6,330)	–	(6,330)
Transfer to assets of disposal group classified as held for sale (Note 10)	–	–	–	–	–	1,546	1,546
At 31 December 2014 and 1 January 2015	(5,560)	–	(12,351)	(1,429)	(9,753)	(1,028)	(30,121)
Amortisation	(1,195)	–	(750)	(432)	–	(16)	(2,393)
Currency realignment	(170)	–	–	–	–	–	(170)
Transfer from assets of disposal group classified as held for sale (Note 10)	–	–	–	–	–	(1,546)	(1,546)
Disposal of subsidiaries	–	–	–	–	–	1,546	1,546
Impairment loss	–	–	(775)	–	–	(71)	(846)
At 31 December 2015	(6,925)	–	(13,876)	(1,861)	(9,753)	(1,115)	(33,530)
Net carrying amount							
At 31 December 2014	24,425	–	1,779	2,866	1,703	192	30,965
At 31 December 2015	23,956	–	1,712	2,434	1,703	218	30,023

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

14 INTANGIBLE ASSETS *(continued)*

(a) Concession rights

The Group has service concession arrangements with various government bodies and agencies of the government of the People's Republic of China ("the grantors"). Under these concession arrangements, the Group will typically construct and operate the water and medical waste treatment plants to collect and treat water and medical waste for local hospitals and clinics at the tariffs which are determined by the grantors for concession periods of between 20 to 30 years. The plants are transferred to the grantors at the end of the concession periods. The concession rights are amortised evenly over their economic useful lives of 20 to 30 years. The range of remaining amortisation period of the concession rights is 12 to 24 years (2014: 13 to 25 years).

(b) 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 business of WBL Group, MFLEX. Development costs and technical know-how are amortised evenly over their economic useful lives of 5 to 10 years. The range of remaining amortisation period is 1 to 5 years (2014: 1 to 5 years).

(c) 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. The range of remaining amortisation period is 2 to 6 years (2014: 3 to 7 years).

Amortisation expense

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

(d) Goodwill

Goodwill acquired through business combinations have been allocated to the following cash-generating units (CGUs), which are also the basis for impairment testing:

Cash-generating unit (CGU)	2015 $000	Basis on which recoverable values were determined	Discount rate	Years of cash flow projections
UE Envirotech Pte Ltd (UEEV) Group	1,703	Value-in-use	13%	20 to 30
	1,703			

Cash-generating unit (CGU)	2014 $000	Basis on which recoverable values were determined	Discount rate	Years of cash flow projections
UEEV Group	1,703	Value-in-use	13%	20 to 30
	1,703			

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

14 INTANGIBLE ASSETS *(continued)*

(d) Goodwill *(continued)*

Goodwill is tested for impairment annually. For CGUs with recoverable values determined based on the value-in-use method, the value-in-use calculations apply a discounted cash flow model using cash flow projections based on financial budgets and forecasts approved by management for periods as stated in the table above. The cash flows beyond the budget period were extrapolated using a terminal growth rate of 3% (2014: 3%) per annum. The terminal growth rate does not exceed the long-term average growth rate of the respective industry and country in which the entity operates. The discount rates applied to the cash flow projections are pre-tax and reflected a reasonable risk premium at the date of the assessment of the respective cash-generating units.

With regards to the assessment of value in use, management believes that no reasonably possible changes in any of the above key assumptions would cause the carrying value of the unit to materiality exceed its recoverable amount.

15 INTERESTS IN SUBSIDIARIES

	COMPANY	
	2015 $000	2014 $000
Unquoted equity shares at cost	261,079	263,047
Impairment losses	(60,286)	(62,163)
Carrying amount of investments	200,793	200,884
Loans receivable	1,188,004	1,065,988
Allowance for doubtful loans receivable	(45,203)	(50,400)
	1,142,801	1,015,588
	1,343,594	1,216,472

Included in loans receivable are non-interest bearing unsecured loans of $839,018,000 (2014: $662,883,000) 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 6.5% (2014: 0.15% to 6.5%) 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 (2014: $50,400,000) for impairment of the unsecured loans to certain subsidiaries. These subsidiaries have been suffering significant financial losses for the current and past financial years.

	COMPANY	
	2015 $000	2014 $000
Movement in the allowance account is as follows:		
At 1 January	(50,400)	(51,779)
Written back	9,256	1,710
Exchange differences	(4,059)	(331)
At 31 December	(45,203)	(50,400)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

15 INTERESTS IN SUBSIDIARIES *(continued)*

Disposal of subsidiaries

2015
During the financial year ended 31 December 2015, the Group disposed of the following subsidiaries:

a) In January 2015, the Group completed the following disposals:
- 51% shareholdings in UE Managed Solutions Pte Ltd;
- 100% shareholdings in UE ServiceCorp (Taiwan) Limited; and
- 60% shareholdings in Tangshan UE Shengxing Renewable Resources Co., Ltd.

b) In June 2015, the Group completed the disposal of its 100% shareholdings in Chengdu Huaxin Ruitai Property Management Co., Ltd.

c) In October 2015, the Group completed the disposal of its 100% shareholdings in PT United Engineers Indonesia.

2014
During the financial year ended 31 December 2014, the Group disposed of the following subsidiaries:

a) In February 2014, the Group completed the disposal of its 100% shareholdings in Delichem Pte Ltd.

b) In September 2014, the Group completed the disposal of its 100% shareholdings in UE Orchard Pte Ltd and UE Somerset Pte Ltd.

c) In November 2014, the Group completed the following disposals:

- 78% shareholding interest in Suzhou Industrial Park Jian Wu Heng Ye Property Development Co., Ltd.;
- the entire issued and paid up share capital in MFS Technology (S) Pte Ltd and certain assets and liabilities identified on MFS Technology Ltd's balance sheet; and
- the entire issued and paid up share capital in Wearnes Automotive Pte. Ltd. and Associated Motor Industries (Private) Limited, subject to purchase price adjustment in accordance with the sale and purchase agreement. Subsequent to the year end, the Group has received a notice from the purchaser proposing adjustments to the purchase price amounting to approximately $23.0 million. The Group is of the opinion that the adjustments proposed by the purchaser are without merit, and accordingly no provision has been made in the financial statements.

d) In December 2014, the Group accepted the voluntary conditional offer made by UECI and completed the divestment of its 68.2% shareholdings in UE E&C. The gain on disposal before tax was approximately $43.5 million.

Acquisition of additional shareholding interests from non-controlling interests

During the previous financial year ended 31 December 2014, UE Centennial Venture Pte. Ltd. acquired additional shareholding interest in WBL Corporation Limited (WBL) from its non-controlling interests via voluntary delisting offers to acquire all the issued ordinary stock units and outstanding convertible bonds of WBL for a consideration of $131.8 million. As a result of the acquisition and the conversion of WBL convertible bonds, the Group's shareholding interest in WBL increased to 67.6%. The difference of $9.7 million between the consideration paid and the carrying value of the additional interest acquired was recognised within equity.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

15 INTERESTS IN SUBSIDIARIES *(continued)*

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 2015 %	2014 %
Incorporated in Singapore			
McAlister and Company, Limited	Supply of industrial equipment, general trading and general engineering (Singapore and Malaysia)	100	100
MFS Technology Ltd	Investment holding	57	57
MPL Pte Ltd	Liquidated	–	100
Multi-Fineline Electronix Singapore Pte. Ltd. [*, β]	Regional office	42.5	42.8
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.	Manufacture of medical tools, development and manufacture of systems for tracking equipment and consumables in hospitals, and distribution of software solutions	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 Envirotech Pte. Ltd.	Investment holding and trading of specialised waste disposal equipment	100	100
UE H2O Pte. Ltd.	Environmental engineering and investment holding	100	100
UE Managed Solutions Pte Ltd	Investment holding	–[3]	51
UE Managed Solutions Singapore Pte Ltd	Provision of facilities management services	–[3]	51
UE NEWater Pte. Ltd.	Environmental engineering and investment holding	100	100

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For the financial year ended 31 December 2015

15 INTERESTS IN SUBSIDIARIES *(continued)*

The subsidiaries as at 31 December are as follows: *(continued)*

Name of company	Principal activities (Place of business) [1]	Effective equity interest held by the Group 2015 %	2014 %
Incorporated in Singapore *(continued)*			
UE One-North Developments Pte. Ltd.	Property development and leasing	100	100
UE Park Avenue International Pte. Ltd.	Hotel management services	100	100
UE Support Services Pte Ltd	Management services	100	100
UE Trade Corporation Pte Ltd	Dormant	100	100
UE UMC Pte. Ltd.	Investment holding	100	100
UE Ville Developments Pte Ltd	Property development and leasing	100	100
UED Capital Venture Pte Ltd	Struck off	–	100
UES Holdings Pte. Ltd.	Environmental engineering and investment holding	100	100
UESH-BEWGI ENG. Pte. Ltd.	Water engineering service	80	80
United Engineers Developments Pte. Ltd.	Property facilities management and leasing	100	100
United Infrastructure Pte Ltd	In the process of striking off	100	100
United WBL Technology Pte. Ltd. *(formerly known as United Wearnes 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 *(formerly known as Wearne Brothers Properties (Private) Limited)*	Investment holding	67.6	67.6
WBL Services (Private) Limited *(formerly known as Wearne Brothers Services (Private) Limited)*	Provision of management and financial services to related companies	67.6	67.6
WBL Properties (China) (Private) Limited *(formerly known as Wearnes Development (Private) Limited)*	Investment holding and provision of management services to related companies	67.6	67.6
WBL Engineering & Distribution Pte. Ltd. *(formerly known as Wearnes Engineering & Distribution Pte. Ltd.)*	Trading of marine and heavy equipment, and the supply and installation of building materials, industrial laundry, kitchen and food processing equipment, bottling and distribution of liquefied petroleum gas	67.6	67.6

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

15 INTERESTS IN SUBSIDIARIES *(continued)*

The subsidiaries as at 31 December are as follows: *(continued)*

Name of company	Principal activities (Place of business) [1]	Effective equity interest held by the Group 2015 %	2014 %
Incorporated in Singapore *(continued)*			
WBL Hollingsworth Singapore Pte. Ltd. *(formerly known as Wearnes Hollingsworth Singapore Pte Ltd)*	Investment holding	64.4	64.4
WBL International (1994) Limited *(formerly known as Wearnes International (1994) Limited)*	Investment holding	67.6	67.6
WBL Precision (Private) Limited *(formerly known as Wearnes Precision (Private) Limited)*	Investment holding	67.5	67.5
WBL Technology (Private) Limited *(formerly known as Wearnes Technology (Private) Limited)*	Investment holding	67.5	67.5
Incorporated in Malaysia			
Far East Motors Malaysia Sendirian Berhad [2]	Distribution of light industrial equipment	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.	In the process of striking off	100	100
McAlister Trading (Malaysia) Sdn. Bhd.	In the process of striking off	100	100
Multi-Fineline Electronix Malaysia Sdn Bhd [β]	Dormant	42.5	42.8
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 services	67.6	67.6
O'Connor's Enterprise Sdn Bhd [2]	Property investment	67.6	67.6
O'Connor's Technologies Sdn Bhd [2]	Distribution of specialised application software	67.6	67.6
Peninsular Smart Sdn Bhd [2]	Property owner and property developer	100	100
Polytek Engineering Sdn. Bhd. [2] *(formerly known as Polytek-Wearnes Engineering Sdn. Bhd.)*	Dormant	67.6	67.6

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

15 INTERESTS IN SUBSIDIARIES *(continued)*

The subsidiaries as at 31 December are as follows: *(continued)*

Name of company	Principal activities (Place of business) [1]	Effective equity interest held by the Group 2015 %	2014 %
Incorporated in Malaysia *(continued)*			
UE Managed Solutions Malaysia Sdn Bhd	Provision of facilities management services	–[3]	51
UE ServiceCorp (Malaysia) Sdn. Bhd. [2]	Investment holding	100	100
UED Developments (M) Sdn Bhd [2]	Civil, electrical, mechanical engineers and contractors	100	100
WBL Electronics (Malaysia) Sdn. Bhd. [2] *(formerly known as Wearnes Electronics (Malaysia) Sdn Bhd)*	Dormant	65.9	65.9
Incorporated in Brunei			
O'Connor's (B) Sdn Bhd	Dormant	67.6	67.6
Incorporated in Indonesia			
PT UE Developments	Development and management of apartment (condominium) buildings and office buildings	100	100
PT UE Sentosa	Dormant	60	60
PT United Engineers Indonesia	Fabrication of steel structures	–[3]	100
Incorporated in Thailand			
UES (Thailand) Company Limited	Under liquidation	90	90
Incorporated in Vietnam			
UE Newater (Vietnam) Limited	Environmental engineering	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			
ServiceMaster Hong Kong Limited	Dormant	–[3]	51
WBL (Hong Kong) Limited *(formerly known as Wearne Brothers (Hong Kong) Limited)*	Investment holding	67.6	67.6
Wearnes Technology (Hong Kong) Limited	De-registered	–	67.5

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

15 INTERESTS IN SUBSIDIARIES *(continued)*

The subsidiaries as at 31 December are as follows: *(continued)*

Name of company	Principal activities (Place of business) [1]	Effective equity interest held by the Group 2015 %	2014 %
Incorporated in Korea			
MFLEX Korea, Ltd [β]	Regional office	42.5	42.8
Incorporated in Taiwan			
UE Managed Solutions Taiwan Ltd	Provision of facilities management services	–[3]	51
UE ServiceCorp (Taiwan) Limited	Provision of facilities management services	–[3]	100
Incorporated in The People's Republic of China			
Chengdu Huaxin International Realty Co., Ltd.	Property development	67.6	67.6
Chengdu Huaxin Ruitai Property Management Co., Ltd.	Property management	–[3]	67.5
Chengdu Wearnes UEST Co., Ltd.	Production of bio-electronic products	57.2	57.2
Hengyang City UE Songmu Water Co., Ltd. [2]	Industrial water supply	100	100
Huaxin Community Broadband Service Co., Ltd.	Investment holding	67.6	67.6
Jiaozuo UE Environmental Protection Technology Co., Ltd. [2]	Treatment of medical waste and related activities	90	90
Kunming Speedling Co., Ltd.	Under liquidation	60.8	60.8
Liaocheng UE Environmental Protection Technology Co., Ltd. [2]	Treatment of medical waste and related activities	90	90
MFLEX Chengdu Co., Ltd. [β]	Dormant	42.5	42.8
MFLEX Suzhou Co., Ltd. [β]	Manufacture and assembly of flexible printed circuits	42.5	42.8
Park Avenue Management Services (Shanghai) Co., Ltd.	De-registered	–	100
Shanghai WBL Enterprise Management Co., Ltd. *(formerly known as Shanghai Wearnes Enterprise Management Co., Ltd.)*	Provision of management services for property development	67.6	67.6
Shaoyang UE Environmental Protection Technology Co., Ltd. [2]	Treatment of medical waste and related activities	100	100
Shenyang Huaxin International City Development Co., Ltd.	Property development	67.6	67.6

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

15 INTERESTS IN SUBSIDIARIES *(continued)*

The subsidiaries as at 31 December are as follows: *(continued)*

Name of company	Principal activities (Place of business) [1]	Effective equity interest held by the Group 2015 %	2014 %
Incorporated in The People's Republic of China *(continued)*			
Shenyang Huaxin International Realty Co., Ltd.	Property development	67.6	67.6
Shenyang Huaxin Property Management Co., Ltd.	Under liquidation	67.6	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
Shenzhen Weko Biotechnology Limited	Dormant	60.8	60.8
Summer Palace Management Co., Ltd.	Liquidated	–	67.6
Suzhou Future Agriworld Co., Ltd.	Agribusiness exhibition and trade emporium centre	56.2	56.2
Suzhou Speedling Co., Ltd. [4]	Production and distribution of agricultural seedlings	62.6	62.6
Suzhou Wearnes Technology Co., Ltd.	Investment holding	67.5	67.5
Tangshan UE Shengxing Renewable Resources Co., Ltd.	Treatment of industrial waste oil	–[3]	60
UE Asia Pacific (Beijing) Co., Ltd. [2]	General activities	100	100
UE (Liaocheng) Water Co., Ltd. [2]	Treatment of waste water and related activities	100	100
UE Envirotech (Beijing) Co., Ltd. [2]	Treatment of medical waste and related activities	100	100
UE Envirotech (Chenzhou) Co., Ltd. [2]	Treatment of medical waste and related activities	100	100
UE Envirotech (Ji'an) Co., Ltd. [2]	Treatment of medical waste and related activities	100	100
UE Envirotech (Weifang) Co., Ltd. [2]	Treatment of medical waste and related activities	100	100
UE Envirotech (Xinxiang) Co., Ltd. [2]	Treatment of medical waste and related activities	100	100
Wearnes Components Shenyang Ltd.	Manufacture of electronic components	67.5	67.5

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

15 INTERESTS IN SUBSIDIARIES *(continued)*

The subsidiaries as at 31 December are as follows: *(continued)*

Name of company	Principal activities (Place of business) [1]	Effective equity interest held by the Group 2015 %	2014 %
Incorporated in The People's Republic of China *(continued)*			
Wearnes Electronics Shenyang Ltd.	Dormant	59.4	59.4
WPSY Ltd. *(formerly known as Wearnes Precision (Shenyang) Ltd.)*	Diecasting and precision engineering	67.5	67.5
Wearnes Technology (Shenyang) Ltd.	Property investment	54.1	54.1
Wuhan Wearnes Technology Co., Ltd.	Under liquidation	61.3	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 Cayman Islands			
M-Flex Cayman Islands, Inc. [β]	Investment holding	42.5	42.8
Incorporated in Netherland			
MFLEX B.V. [β]	Investment holding	42.5	42.8
Incorporated in United Kingdom			
MFLEX UK Limited [β]	Dormant	42.5	42.8
Wearnes Cambion Limited [2]	Manufacture of electronic connectors	67.5	67.5
Incorporated in United States of America			
Multi-Fineline Electronix, Inc. [5, β]	Corporate headquarters and research and development	42.5	42.8
Speedling, Incorporated	Transplant technology provider and production of seedlings	67.6	67.6
Wearnes (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; except for MFS Technology Ltd and Singapore incorporated subsidiary of MFLEX, which are audited by PricewaterhouseCoopers 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.
[3] Subsidiaries disposed of during the financial year.
[4] During the financial year ended 31 December 2015, the subsidiaries were reclassified as disposal group classified as held for sale (Note 10).
[5] Audited by PricewaterhouseCoopers LLP, Orange County, California.
[β] Accounted for as subsidiary as the company was held through WBL.
[*] Singapore incorporated subsidiary of MFLEX.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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/(loss) allocated to NCI during the reporting period $000	Accumulated NCI at the end of the reporting period $000	Dividends paid to NCI $000
31 December 2015:					
WBL Corporation Limited	Singapore	32.4%	315	210,227	45,572
Multi-Fineline Electronix, Inc and its subsidiaries	United States of America	57.5%	35,418	293,509	–
31 December 2014:					
WBL Corporation Limited	Singapore	32.4%	42,590	261,982	9,546
Multi-Fineline Electronix, Inc and its subsidiaries	United States of America	57.2%	(18,443)	248,063	–

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		Multi-Fineline Electronix, Inc and its subsidiaries	
	2015 $000	2014 $000	2015 $000	2014 $000
Current				
Assets	540	220,292	504,647	462,261
Liabilities	(69,715)	(6,256)	(198,791)	(261,951)
Net current (liabilities)/assets	(69,175)	214,036	305,856	200,310
Non-current				
Assets	944,067	815,483	204,718	233,756
Liabilities	(226,043)	(220,932)	(123)	(389)
Net non-current assets	718,024	594,551	204,595	233,367
Net assets	648,849	808,587	510,451	433,677

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

15 INTERESTS IN SUBSIDIARIES *(continued)*

Summarised statement of comprehensive income

	WBL Corporation Limited		Multi-Fineline Electronix, Inc and its subsidiaries	
	2015 $000	2014 $000	2015 $000	2014 $000
Revenue	17,975	11,602	875,069	800,216
Profit/(loss) before income tax	981	132,055	66,576	(9,337)
Income tax expense	(8)	(604)	(4,979)	(22,906)
Profit/(loss) after tax – continuing operations	973	131,451	61,597	(32,243)
Other comprehensive income	(20,111)	24,209	11,463	16,596
Total comprehensive income	(19,138)	155,660	73,060	(15,647)
Other summarised information				
Net cash flows (used in)/from operations	(3,132)	(1,801)	150,839	41,686
Acquisition of significant property, plant and equipment	–	–	(20,875)	(20,289)

16 INTERESTS IN ASSOCIATES

	GROUP		COMPANY	
	2015 $000	2014 $000	2015 $000	2014 $000
Unquoted equity shares				
At cost	46,295	46,275	317	317
Impairment losses	(1)	(1)	(2)	(2)
Goodwill on acquisition	(1,023)	(1,023)	–	–
Currency realignment	(9,142)	(8,498)	–	–
Share of net gain on fair value changes recognised directly in other comprehensive income	4,819	2,540	–	–
Share of net post acquisition reserves	10,711	19,654	–	–
	51,659	58,947	315	315
Loans receivable	57,100	52,054	–	–
Amounts receivable	16,796	4,791	86	86
	73,896	56,845	86	86
Allowance for doubtful receivables	(86)	(86)	(86)	(86)
	73,810	56,759	–	–
	125,469	115,706	315	315

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. Included in 2014 loans receivable are interests bearing unsecured loans of $10,745,000 which bear interest at 6.5% per annum.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

16 INTERESTS IN ASSOCIATES *(continued)*

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 2015 %	2014 %
Incorporated in Singapore			
BEWGI-H2O Pte. Ltd.	Operation and maintenance of waste water service	20	20
BEWGI-UE NEWater (S) Pte. Ltd.	Water management services	20	20
Lycorpipe Investment Pte. Ltd. [β]	Investment holding	11	11
MaxLee Development Pte. Ltd.	Property development and investment	35	35
RFNet Technologies Pte Ltd [β]	Solution provider for wireless broadband communication and sale of routers, electrical and computing related products	–[3]	12.9
The Seletar Mall Pte Ltd [2]	Property development and investment	30	30
Incorporated in Malaysia			
Apex Pharmacy Holdings Sendirian Berhad	Investment holding	30	30
Asia Travel Service (Malaysia) Sdn. Bhd.	Dormant	30	30
NS Bluescope Lysaght Malaysia Sdn Bhd	Steel roofings	40	40
Incorporated in Thailand			
Rank P.T. O'Connor's Co., Ltd	Distribution and installation of electronic equipments and as a dealer for the sales of motor vehicles and operation of service centres	26.4	26.4
O'Connor's (Thailand) Co., Ltd	System integration and trading and distribution of engineering systems	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

16 INTERESTS IN ASSOCIATES *(continued)*

Name of company	Principal activities (Place of business) [1]	Effective equity interest held by the Group 2015 %	2014 %
Incorporated in The 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.
[3] Associates disposed of during the financial year.
[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 2015 $000	2014 $000
Assets and liabilities:		
Assets	836,844	815,548
Liabilities	(653,659)	(617,242)
Profit for the financial year	6,785	4,045
Other comprehensive income	3,447	(1,013)
Total comprehensive income	10,232	3,032

17 INTERESTS IN JOINT VENTURES

Unquoted equity shares, at cost	69,512	70,012
Currency realignment	(1,697)	90
Share of net post acquisition reserves	24,573	22,030
Dividends declared, net of tax	(38,867)	(14,116)
	53,521	78,016
Loans receivable	–	15,208
Amount receivable	3,614	–
	57,135	93,224

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

17 INTERESTS IN JOINT VENTURES *(continued)*

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 2015 %	2014 %
Incorporated in Singapore			
Balmoral Development Pte. Ltd.	Struck off	–	50
Greatearth Developments Pte Ltd	Real estate development and investment holding	50	50
Incorporated in Malaysia			
Permata Alasan (M) Sdn Bhd	Property development and property investment	33.8	33.8
Renown Heritage Sdn Bhd	Property investment	33.8	33.8
Incorporated in The 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
Shanghai Olympic Sports Center Co., Ltd	Under liquidation	30.5	30.5
Shanghai Olympics Property Management Co., Ltd.	Property management	–[2]	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.
[2] Joint ventures disposed of during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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	
	2015 $000	2014 $000
Assets and liabilities:		
Assets	82,052	120,071
Liabilities	(28,554)	(42,058)
Profit/(loss) after income tax from continuing operations	2,538	(382)
Other comprehensive income	(1,789)	921
Total comprehensive income	749	539

18 DEFERRED TAX

Balance at beginning of the financial year	21,554	53,008
Disposal of subsidiaries	–	(39,547)
Reclassification from assets of disposal group classified as held for sale	1,110	–
Currency realignment	(1,135)	(1,261)
Credited to equity	29	(4,374)
Debited/(credited) to income statement (Note 9)		
- Current year	1,813	5,609
- (Over)/under provision in respect of prior year	(4,964)	8,119
Balance at end of the financial year	18,407	21,554
The deferred taxation arises as result of:		
Deferred tax liabilities		
Accrued income on completed project	63,288	58,771
Convertible bonds	108	–
Excess of net book value over the tax written down value of property, plant and equipment	8,179	12,099
Others	3,451	1,762
Unremitted earnings	5,362	5,444
	80,388	78,076
Deferred tax assets		
Excess of tax written down value over net book value of property, plant and equipment	(12,655)	(9,297)
General provisions	(22,496)	(21,418)
Provision for rental top-up	(14,600)	(16,600)
Share-based compensation	(334)	(171)
Tax losses	(11,896)	(9,036)
	(61,981)	(56,522)
	18,407	21,554

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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 2015, the Group has unabsorbed tax losses, reinvestment allowance and unutilised capital allowances of approximately $438,665,000 (2014: $495,763,000), $2,142,000 (2014: $4,781,000) and $4,003,000 (2014: $5,536,000) 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 $78,943,000 (2014: $59,773,000) which will expire between 2016 and 2035 (2014: 2015 and 2034).

Deferred tax liabilities have not been recognised for withholding and other taxes that would be payable on the unremitted earnings of $196,431,000 (2014: $170,151,000) 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	
	2015 $000	2014 $000	2015 $000	2014 $000
Non-current:				
Available-for-sale financial assets				
Quoted equity shares, at fair value	21,087	23,612	–	–
Unquoted equity shares, at fair value	2,622	8,488	1,078	6,808
Unquoted equity shares, at cost	120	120	–	–
	23,829	32,220	1,078	6,808

20 INVENTORIES

	GROUP	
	2015 $000	2014 $000
Statement of financial position:		
Inventories, at lower of cost and net realisable value		
- Engineering supplies and raw materials	24,836	35,718
- Trading inventories and finished goods	54,374	55,650
- Work-in-progress	29,893	30,754
Total inventories at 31 December	109,103	122,122

The Group has recognised a reversal of $17,692,000 (2014: $149,000), being part of inventories write down made in preceding years, as inventories were sold above the carrying amounts.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

21 TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2015 $000	2014 $000	2015 $000	2014 $000
Total trade and other receivables (current):				
Trade receivable	207,819	267,863	3,330	6,739
Allowance for doubtful receivables	(12,191)	(7,889)	(9)	(20)
	195,628	259,974	3,321	6,719
Other receivables:				
Claims/expenses recoverable	119	266	–	6
Deposits	10,741	6,864	237	205
Due from subsidiaries	–	–	42,227	39,841
Project advance	4,012	7,761	–	–
Sundry receivables	23,679	26,310	43	117
	38,551	41,201	42,507	40,169
Allowance for doubtful receivables	(2,383)	(2,832)	(866)	(2,052)
	36,168	38,369	41,641	38,117
	231,796	298,343	44,962	44,836
Total trade receivables (non-current):				
Retention sums	–	104	–	–
Total trade and other receivables (current and non-current)	231,796	298,447	44,962	44,836
Add:				
Loans and amounts receivables:				
- Subsidiaries (Note 15)	–	–	1,142,801	1,015,588
- Associates (Note 16)	73,810	56,759	–	–
- Joint ventures (Note 17)	3,614	15,208	–	–
Bank balances and deposits (Note 24)	544,127	650,247	14,188	60,276
Total loans and receivables	853,347	1,020,661	1,201,951	1,120,700

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.

Included in the trade receivables are $652,000 (2014: $1,692,000) of retention sums relating to construction contracts.

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 2015 are as follows:

- $11,611,000 (2014: $10,219,000) denominated in United States Dollars and
- $2,621,000 (2014: $2,193,000) denominated in other foreign currencies.

Due from subsidiaries

Amounts receivable from subsidiaries are mainly non-trade in nature, unsecured, to be settled in cash and bear interest of 6.5% (2014: 6.5%) per annum except for $27,236,000 (2014: $ Nil) which are interest-free and are payable on demand. Interest rates are repriced at intervals of 1, 2, 3 or 6 months.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

21 TRADE AND OTHER RECEIVABLES *(continued)*

Receivables that are past due but not impaired

The Group has trade and other receivables amounting to $25,333,000 (2014: $43,343,000) 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	
	2015 $000	2014 $000
Trade and other receivables past due but not impaired:		
Less than 30 days	11,033	25,819
30 to 60 days	5,257	5,476
61 to 90 days	2,822	2,402
91 to 120 days	1,251	6,004
More than 120 days	4,970	3,642
	25,333	43,343

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 Individual impaired	
	2015 $000	2014 $000
Trade and other receivables - nominal amounts	17,508	11,889
Less: Allowance for impairment	(14,574)	(10,721)
	2,934	1,168

	Trade receivables		Other receivables	
	2015 $000	2014 $000	2015 $000	2014 $000
Movement in allowance accounts:				
At 1 January	(7,889)	(8,742)	(2,832)	(6,844)
Charge for the year	(6,462)	(1,742)	(501)	(1,841)
Written-off	1,135	989	960	210
Written back	720	1,645	–	5,730
Exchange differences	305	(39)	(10)	(87)
At 31 December	(12,191)	(7,889)	(2,383)	(2,832)

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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

	GROUP	
	2015 $000	2014 $000
Costs incurred and attributable profits less recognised losses to-date	299,970	193,527
Less: Progress billings	(259,886)	(157,558)
Amounts due from customers for contract work, net	40,084	35,969
Presented as:		
Gross amount due from customers for contract work	42,448	39,004
Gross amount due to customers for contract work	(2,364)	(3,035)
	40,084	35,969
Included in progress billings are retention sums of	2,526	1,302

23 PROPERTIES HELD FOR SALE

Completed properties, at cost		
Land cost	27,099	10,793
Development costs	286,285	118,495
	313,384	129,288
Properties under development		
Land cost	638,396	654,101
Development expenditure	488,385	568,034
Interest costs	61,040	49,787
	1,187,821	1,271,922
Add: Attributable profits	70,774	22,191
	1,258,595	1,294,113
Less: Progress billings	(548,141)	(293,264)
	710,454	1,000,849
	1,023,838	1,130,137

During the financial year, the Group wrote down certain properties under development by $12,489,000 (2014: $15,858,000), based on an independent professional valuation performed as at 31 December 2015 and 31 December 2014.

Interest capitalised during the financial year is $11,150,000 (2014: $21,696,000) at rates ranging from 2.1% to 7.0% (2014: 1.0% to 8.0%) per annum.

Properties held for sale amounting to $835,056,000 (2014: $960,199,000) have been mortgaged to secure term loan facilities for certain subsidiaries (Note 27).

Certain projects amounting to $209,318,000 (2014: $767,123,000) included in properties held for sale are expected to be recovered more than twelve months after the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

23 PROPERTIES HELD FOR SALE *(continued)*

The following table provides information about agreements that are in progress at the reporting date, the revenue of which is recognised based on percentage of completion method:

	GROUP	
	2015 $000	2014 $000
Aggregate costs incurred and recognised to date, including attributable profits	935,365	827,185
Less: Progress billings	(548,141)	(293,264)
	387,224	533,921

During the financial year, cost of sales amounting to $339,866,000 (2014: $443,829,000) in relation to development properties recognised based on percentage of completion method were recorded.

24 BANK BALANCES AND DEPOSITS

	GROUP		COMPANY	
	2015 $000	2014 $000	2015 $000	2014 $000
Cash at banks and in hand	396,199	390,484	14,188	22,076
Fixed deposits	68,183	64,639	–	38,200
Project accounts	17,197	88,998	–	–
Restricted deposits	62,548	106,126	–	–
	544,127	650,247	14,188	60,276

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 2015 are as follows:

- $2,793,000 (2014: $5,143,000) denominated in United States Dollars; and
- $902,000 (2014: $2,288,000) denominated in other foreign currencies.

Bank balances and deposits earn interest at effective interest rates ranging from 0.05% to 4.0% (2014: 0.03% to 7.25%) 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 Project Account Rules – 1997 Ed. Withdrawals are restricted to payments for expenditure incurred on development projects. A sum of $15,000,000 (2014: $40,000,000) of the project accounts has been placed in fixed deposits as at year end.

Restricted deposits represent cash placed in an escrow account. This is in compliance with SGX-ST's Listing Rules as a Singapore-listed subsidiary of the Group, MFS Technology Ltd ("MFS"), ceased to have any operating business and is deemed a cash company after the sale by MFS of the disposed assets and liabilities on 18 November 2014. MFS had until 18 November 2015 to acquire a new business.

The amount placed in the escrow account cannot be drawn down until the completion of the acquisition of a business by MFS, except for payment of expenses to be incurred in a reverse takeover approved by MFS' shareholders and pro-rata distributions to MFS' shareholders.

Despite actively exploring various options, MFS was not able to identify a suitable business to acquire and therefore could not meet the requirements of a new listing by 17 November 2015. It is MFS' intention to distribute its cash back to its shareholders by way of capital reduction. On 26 February 2016, the shareholders of MFS approved the capital reduction of $0.10733 per share.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

25 SHARE CAPITAL AND TREASURY SHARES

	GROUP & COMPANY			
	2015		2014	
	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 shares issued and fully paid:				
Balance at 1 January	637,069	806,395	624,429	792,936
Share options exercised	159	249	857	1,415
Conversion of convertible bonds	–	–	11,783	12,044
Balance at 31 December	637,228	806,644	637,069	806,395
	638,103	807,519	637,944	807,270

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

Preference Share – One vote for one preference share.

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

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 01.01.15	No. of shares under option exercised	No. of shares under option forfeited	Balance as at 31.12.15
30.11.05	30.11.06 to 29.11.15	$1.63	120,283	(120,283)	–	–
27.11.06	27.11.07 to 26.11.16	$1.90	233,964	–	(22,356)	211,608
6.12.07	6.12.08 to 5.12.17	$3.31	1,134,546	–	(716,956)	417,590
20.05.09	20.05.10 to 19.05.19	$1.36	134,759	(38,979)	(15,592)	80,188
			1,623,552	(159,262)	(754,904)	709,386

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

25 SHARE CAPITAL AND TREASURY SHARES *(continued)*

	GROUP			
	2015		2014	
	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	Exercise of share options of subsidiaries and related income tax benefit $000	Other reserves, total $000
Opening balance at 01/01/2015	8,013	4,219	11,018	(13,088)	2,659	2,222	5,989	21,032
Losses on exchange differences on translation, net of tax	–	–	(6,988)	–	–	–	–	(6,988)
Losses on remeasuring available-for-sale financial assets, net of tax	(2,667)	–	–	–	–	–	–	(2,667)
Realisation of reserves to income statement on disposal of available-for-sale financial assets, net of tax	(5,759)	–	–	–	–	–	–	(5,759)
Share of other comprehensive income from equity-accounted associate, net of tax	(173)	–	–	–	–	2,452	–	2,279
Additional interests in subsidiaries	–	–	–	1,043	–	–	–	1,043
Dilution of interests in subsidiaries	–	–	–	(4,124)	–	–	–	(4,124)
Disposal of interests in subsidiaries and associates	–	(8)	–	–	–	–	–	(8)
Employee share option scheme/ share appreciation rights:								
- value of employee services	–	(1,376)	–	–	–	–	4,724	3,348
Reclassification of reserves to retained earnings upon disposal of interests in subsidiaries	–	–	–	(1,588)	–	–	–	(1,588)
Closing balance at 31/12/2015	(586)	2,835	4,030	(17,757)	2,659	4,674	10,713	6,568

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

26 OTHER RESERVES *(continued)*

	AFS reserve $000	Share option reserve $000	Translation reserve $000	Equity component of convertible bonds $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 01/01/2014	9,093	4,183	(4,059)	14,667	6,013	2,659	2,222	1,937	36,715
Gains on exchange differences on translation, net of tax	–	–	15,077	–	–	–	–	–	15,077
Gains on remeasuring available-for-sale financial assets, net of tax	87	–	–	–	–	–	–	–	87
Realisation of reserves to income statement on disposal of subsidiaries, net of tax	(869)	–	–	–	(4,455)	–	–	–	(5,324)
Share of other comprehensive income from equity-accounted associate, net of tax	(298)	–	–	–	–	–	–	–	(298)
Equity portion of convertible bonds	–	–	–	(9)	–	–	–	–	(9)
Transfer of equity component of convertible bonds to retained earnings upon lapse of the conversion option	–	–	–	(14,658)	–	–	–	–	(14,658)
Additional interests in subsidiaries	–	–	–	–	(8,892)	–	–	–	(8,892)
Dilution of interests in subsidiaries	–	–	–	–	(3,662)	–	–	–	(3,662)
Employee share option scheme/ share appreciation rights:									
- value of employee services	–	36	–	–	–	–	–	2,941	2,977
Income tax benefit arising from share-based compensation	–	–	–	–	–	–	–	1,111	1,111
Reclassification of reserves to retained earnings upon disposal of interests in subsidiaries	–	–	–	–	(2,092)	–	–	–	(2,092)
Closing balance at 31/12/2014	8,013	4,219	11,018	–	(13,088)	2,659	2,222	5,989	21,032

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

26 OTHER RESERVES *(continued)*

COMPANY

	AFS reserve $000	Share option reserve $000	Equity component of convertible bonds $000	Other reserves, total $000
Opening balance at 01/01/2015	5,613	4,081	–	9,694
Losses on remeasuring available-for-sale financial assets, net of tax	(6)	–	–	(6)
Realisation of reserves to income statement on disposal of available-for-sale financial assets, net of tax	(5,759)	–	–	(5,759)
Closing balance at 31/12/2015	(152)	4,081	–	3,929
Opening balance at 01/01/2014	5,972	4,081	14,652	24,705
Losses on remeasuring available-for-sale financial assets, net of tax	(359)	–	–	(359)
Equity portion of convertible bonds	–	–	6	6
Transfer of equity component of convertible bonds to retained earnings upon lapse of the conversion option	–	–	(14,658)	(14,658)
Closing balance at 31/12/2014	5,613	4,081	–	9,694

(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 (Note 33). 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) Equity component of convertible bonds reserve represents the residual amount of convertible bonds after deducting the fair value of the liability component. This amount is presented net of transaction costs and deferred tax liability arising from convertible bonds.

(e) 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.

(f) 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.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

27 BORROWINGS

	GROUP		COMPANY	
	2015 $000	2014 $000	2015 $000	2014 $000
Current				
Bank overdrafts:				
- unsecured	–	6,303	–	–
Bank trust receipts and bills payable:				
- unsecured	5,894	–	–	–
Bank loans:				
- secured	337,749	153,540	–	–
- unsecured	270,660	173,932	234,900	115,000
	608,409	327,472	234,900	115,000
	614,303	333,775	234,900	115,000
Non-current				
Unsecured bank borrowings under MTN Programme	247,045	247,318	250,295	250,568
Bank loans				
- secured				
- Repayable within 2 years	5,349	534,337	–	–
- Repayable within 3 to 5 years	571,492	573,010	–	–
- Repayable after 5 years	3,608	–	–	–
	580,449	1,107,347	–	–
- unsecured				
- Repayable within 2 years	1,964	26,561	–	25,500
- Repayable within 3 to 5 years	–	1,908	–	–
	1,964	28,469	–	25,500
	829,458	1,383,134	250,295	276,068
Total borrowings	1,443,761	1,716,909	485,195	391,068

In 2014, bank overdrafts bear effective interest rates ranging from 7.0% to 8.4% per annum. Bank overdrafts are repayable on demand.

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).

Unsecured borrowings under the MTN Programme comprise fixed rate notes with interest at 4.2% per annum. The notes are expected to be repaid by 2017.

The Group's floating rate bank loans comprise:

	2015			2014		
	Effective interest rate % p.a.	Maturity	Total $000	Effective interest rate % p.a.	Maturity	Total $000
Singapore Dollars	1.7 – 3.1	2016 – 2018	1,157,055	1.5 – 3.5	2015 – 2018	1,207,423
Malaysian Ringgit	–	–	–	5.7 – 6.9	2015	7,605
Chinese Renminbi	5.4 – 7.0	2016 – 2017	25,915	7.0 – 7.2	2015 – 2017	138,303
United States Dollars	2.0 – 3.0	2016	7,852	2.7 – 5.9	2015	7,549
Other currencies	–	–	–	11.5 – 12.5	2015	1,771
			1,190,822			1,362,651

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

28 PROVISIONS

	GROUP		
	Rental top-up $000	Development charge $000	Total $000
At 1 January 2015	97,695	20,000	117,695
Utilised during the year	(11,633)	–	(11,633)
At 31 December 2015	86,062	20,000	106,062
As at 31 December 2015 (Current)	21,813	–	21,813
As at 31 December 2015 (Non-current)	64,249	20,000	84,249
	86,062	20,000	106,062
As at 31 December 2014 (Current)	14,861	–	14,861
As at 31 December 2014 (Non-current)	82,834	20,000	102,834
	97,695	20,000	117,695

Rental top-up

The provision for rental top-up relates to rental income support for the business park and the retail spaces of UE BizHub EAST, which is equivalent to the differences between the agreed amount and net property income, being rental income received from tenants by REIT trustee net of operating expenses, for each 12-month period commencing from the completion date over a remaining duration of 3 to 8 years (2014: 4 to 9 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 operating expenses.

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. The undertaking is for the subsidiary to pay a maximum sum of $20.0 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).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

29 TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2015 $000	2014 $000	2015 $000	2014 $000
Total trade and other payables (current):				
Trade payables	223,682	254,950	591	400
Other payables:				
Accrued staff cost	20,945	13,607	2,538	1,964
Accrued job cost	36,118	40,820	–	–
Accrued operating expenses	37,398	56,771	–	–
Deferred income	1,914	7,944	–	–
Deposits	23,146	18,500	8,429	6,551
Due to subsidiaries	–	–	636	829
Interest payable	7,427	5,729	5,242	5,929
Other accruals	53,484	56,615	3,302	4,891
Payable for purchase of property, plant and equipment	10,603	9,212	–	–
Progress billing received in advance	3,860	5,305	–	–
Sundry payables	2,266	38,756	807	646
	197,161	253,259	20,954	20,810
	420,843	508,209	21,545	21,210
Total trade and other payables (non-current):				
Other payables	–	400	–	–
Retention sums	3,166	2,153	–	–
	3,166	2,553	–	–
Total trade and other payables (current and non-current)	424,009	510,762	21,545	21,210
Add:				
Borrowings (Note 27)	1,443,761	1,716,909	485,195	391,068
Less:				
Deferred income	(1,914)	(7,944)	–	–
Progress billing received in advance	(3,860)	(5,305)	–	–
Total financial liabilities carried at amortised cost	1,861,996	2,214,422	506,740	412,278

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 2015 are as follows:

- $11,114,000 (2014: $3,393,000) denominated in United States Dollars,
- $1,942,000 (2014: $3,203,000) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

30 DIVIDENDS PAID

The following dividends were paid:

	GROUP		COMPANY	
	2015 $000	2014 $000	2015 $000	2014 $000
Declared and paid during the financial year:				
Cumulative Preference Shares:				
Tax exempt (one-tier) dividend of 7.5 cents (2014: 7.5 cents)	66	66	66	66
Ordinary Stock:				
- First and final tax exempt (one-tier) dividend of 5 cents (2014: 5 cents)	30,769	30,746	31,854	31,832
- Special tax exempt (one-tier) dividend of 5 cents (2014: 2 cents)	30,768	12,298	31,854	12,732
	61,603	43,110	63,774	44,630

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 5 cents per ordinary stock and a special tax exempt (one-tier) dividend of 3 cents per ordinary stock, amounting to a total of $50,978,240 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	
	2015 $000	2014 $000
Capital commitments contracted for not recognised in the financial statements	11,905	5,426

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 $14,245,000 (2014: $17,495,000). 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	
	2015 $000	2014 $000	2015 $000	2014 $000
Within one year	14,616	14,995	1,525	1,511
After one year but not more than five years	47,734	47,413	6,756	6,650
After five years	30,390	40,190	–	–
	92,740	102,598	8,281	8,161

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

32 OPERATING LEASE COMMITMENTS *(continued)*

(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	
	2015 $000	2014 $000	2015 $000	2014 $000
Within one year	71,910	72,281	33,690	33,012
After one year but not more than five years	74,279	94,163	30,834	35,415
After five years	3,370	3,944	–	–
	149,559	170,388	64,524	68,427

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:

	2015 No.	2015 WAEP($)	2014 No.	2014 WAEP($)
Outstanding at beginning of the financial year	1,623,552	2.82	3,169,319	2.47
Exercised during the financial year[1]	(159,262)	1.56	(857,207)	1.65
Forfeited during the financial year	(754,904)	3.23	(688,560)	2.68
Outstanding at the end of the financial year[2]	709,386	2.67	1,623,552	2.82
Exercisable at end of the financial year	709,386	2.67	1,623,552	2.82

[1] The weighted average share price during the financial year was $2.68 (2014: $2.44).

[2] The range of exercise prices for options outstanding at the end of the year was $1.36 to $3.31 (2014: $1.36 to $3.31). The weighted average remaining contractual life for these options is 1.93 years (2014: 2.87 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 were incorporated into the measurement of fair value.

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For the financial year ended 31 December 2015

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	
		2015 $000	2014 $000
(a)	**Transactions with directors of the Company**		
	Sale of motor vehicle to spouse of a director	–	174
(b)	**Compensation of key management executives**		
	Short term employee benefits	2,230	6,155
	Other long term employee benefits	60	166
	Central Provident Fund	48	98
	Share-based payment	–	239
	Total compensation paid to key management executives	2,338	6,658
	Comprising amounts paid to:		
	Director of the Company[1]	37	–
	Other key management executives	2,301	6,658
		2,338	6,658

(1) In relation to Mr Norman Ip's appointment as the Group Managing Director with effect from 1 December 2015.

Key Management Executives' Interests in Employee Share Option Scheme
No share options were granted to the directors of the Company and other key management executives during the current and previous financial year. During the current financial year, no option was exercised by the director and other key management executives (2014: Nil and 89,098 respectively at $1.43 with cash consideration of $127,410 paid to the Company). The outstanding number of share options granted to directors of the Company and other key management executives at the end of the financial year were Nil and 71,278 (2014: Nil and 71,278) respectively. No share options have 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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			
	2015		2014	
	$000	% of total	$000	% of total
By country:				
Singapore	145,833	47	120,084	32
China	53,031	17	169,575	46
USA	64,140	21	32,658	9
Other countries	46,216	15	48,097	13
	309,220	100	370,414	100
By industry sector/segment:				
Property Rental & Services	69,246	22	62,120	17
Property Development	11,742	4	17,560	5
Technology & Manufacturing	136,789	44	200,034	54
Corporate Services & Others	91,443	30	90,700	24
	309,220	100	370,414	100

A major subsidiary has a significant amount of trade receivables arising from a few major customers which constituted approximately 39% (2014: 44%) of the Group's total trade receivables. This subsidiary has the policy of performing ongoing evaluations of its customers' credit worthiness and adjusting credit limits based on its review of the customers' current credit information. It continuously monitors collections and payments from its customers and maintains an allowance for impairment based on its historical experience, anticipation of uncollectible amounts and any specific customer collection issues that it has identified.

Apart from the above, the Group does not have credit risk concentration in any customers.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

35 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(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% (2014: 5%) higher/lower with all other variables held constant, the Group's AFS reserve would have been $1,054,000 (2014: $1,181,000) 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 2015, 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.

The treasury transactions of the listed subsidiaries, associated companies and joint ventures are carried out in accordance with their own policies and guidelines.

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	
		2015 $000 Profit net of tax	2014 $000 Profit net of tax
USD/SGD	- strengthened 5% (2014: 5%)	+165	+598
	- weakened 5% (2014: 5%)	-165	-598

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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 (2014: 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 2015 and 2014, 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 (2014: 75) basis points lower/higher with all other variables held constant, the Group's profit net of tax would have been $8,678,000 (2014: $9,056,000) 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 43% (2014: 20%) 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 48% (2014: 30%) 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.

	2015				2014			
	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	420,843	3,166	–	424,009	508,209	2,553	–	510,762
Borrowings	654,168	864,667	3,910	1,522,745	371,019	1,450,956	–	1,821,975
	1,075,011	867,833	3,910	1,946,754	879,228	1,453,509	–	2,332,737
Company								
Trade and other payables	21,545	–	–	21,545	21,210	–	–	21,210
Borrowings	251,650	260,808	–	512,458	129,992	298,398	–	428,390
	273,195	260,808	–	534,003	151,202	298,398	–	449,600

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For the financial year ended 31 December 2015

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 2015 and 2014.

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	
	2015 $000	2014 $000
Borrowings	1,443,761	1,716,909
Less: Bank balances and deposits	(544,127)	(650,247)
Net borrowings	899,634	1,066,662
Equity attributable to owners of the Company	1,830,603	1,803,846
Net debt to equity (times)	0.49	0.59

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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			
	2015 $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)	21,087	–	–	21,087
- Equity instruments (unquoted)	–	–	2,622	2,622
Financial assets as at 31 December 2015	21,087	–	2,622	23,709
Non-financial assets:				
Investment properties (Note 13)	–	–	1,857,542	1,857,542
Non-financial assets as at 31 December 2015	–	–	1,857,542	1,857,542

	GROUP			
	2014 $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)	23,612	–	–	23,612
- Equity instruments (unquoted)	–	–	8,488	8,488
Financial assets as at 31 December 2014	23,612	–	8,488	32,100
Non-financial assets:				
Investment properties (Note 13)	–	–	1,847,071	1,847,071
Non-financial assets as at 31 December 2014	–	–	1,847,071	1,847,071

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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 2015 $000	Valuation techniques	Unobservable inputs	Range
Recurring fair value measurement				
Available-for-sale financial assets - Equity instruments (unquoted)	2,622	Fair value of underlying assets of investment	Statement of financial position	NA
Investment properties	1,857,542	Market Capitalisation Method	Capitalisation Rate	3.3% to 5.0%

Description	Fair Value at 31 December 2014 $000	Valuation techniques	Unobservable inputs	Range
Recurring fair value measurement				
Available-for-sale financial assets - Equity instruments (unquoted)	8,488	Fair value of underlying assets of investment	Statement of financial position	NA
Investment properties	1,847,071	Market Capitalisation Method	Capitalisation Rate	3.0% to 5.3%

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.

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.

	31 December 2015		
		Effect of reasonably possible alternative assumptions	
	Carrying amount $000	Profit or loss $000	Other comprehensive income $000
Recurring fair value measurement			
Available-for-sale financial assets - Equity instruments (unquoted)	2,622	–	131

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 2014		
		Effect of reasonably possible alternative assumptions	
	Carrying amount $000	Profit or loss $000	Other comprehensive income $000
Recurring fair value measurement			
Available-for-sale financial assets - Equity instruments (unquoted)	8,488	–	424

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%.

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)	
	2015 $000	2014 $000
Opening balance	8,488	8,887
Total gains or losses:		
Disposals	(5,759)	–
Included in other comprehensive income:		
Losses on remeasuring available-for-sale financial assets, net of tax	(107)	(399)
Closing balance	2,622	8,488

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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 *(continued)*

	GROUP Investment properties	
	2015 $000	2014 $000
Opening balance	1,847,071	1,870,923
Subsequent expenditure	930	1,463
Transfer from/(to) assets of disposal group classified as held for sale	7,362	(7,362)
Currency realignment	–	(434)
Disposal of subsidiaries	–	(5,014)
Disposals	–	(12,505)
Total gains or losses:		
Included in income statement:		
Net surplus on revaluation of investment properties	2,179	–
Closing balance	1,857,542	1,847,071

There has been no transfer from Level 1 and Level 2 to Level 3 during the financial years ended 31 December 2015 and 2014.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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

(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/payable from/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 $77,424,000 (2014: $71,967,000) and $1,142,801,000 (2014: $1,015,588,000) respectively.

Fair value information has not been disclosed for the Group's investment in unquoted equity instrument that are carried at cost amounting to $120,000 (2014: $120,000) (Note 19) because fair value cannot be measured reliably. These investments represent ordinary shares in companies that are not quoted in any market and do not have any comparable industry peer that is listed. In addition, the variability in the range of reasonable fair value estimates derived from valuation techniques is significant. The Group does not intend to dispose of the investment in the foreseeable future.

38 SUBSIDIARIES' SHARE OPTION SCHEMES

MFS Technology Ltd ("MFS")
MFS Share Option Scheme ("MFS Scheme")
MFS Share Appreciation Rights Plan ("MFS SAP") and Performance Share Plan ("MFS PSP")

MFS Scheme
The MFS Scheme was approved by the shareholders of MFS at the extraordinary general meeting on 28 December 2001. The MFS Scheme is administered by the Remuneration Committee of MFS ("MFS RC"). Under the MFS Scheme, share options are granted to employees and Directors of the MFS Group. The options are vested one year after the date of grant and are exercisable thereafter for a contractual term of nine years in the case of executives (including Executive Directors) and four years in the case of Non-executive Directors.

The exercise price of the granted options is equal to the average of the last dealt prices of MFS ordinary shares on the Singapore Exchange for the three consecutive trading days immediately preceding the date of grant.

All outstanding share options granted under the MFS Scheme expired or lapsed upon completion of the disposal of MFS subsidiaries on 18 November 2014.

Movement in the number of MFS share options at the end of the previous financial year and their exercise prices was as follows:

Date of grant	Exercise period	Exercise price	Beginning of financial year	Shares under option lapsed	End of financial year
2014					
19.05.2005	19.05.2006 to 18.05.2015	$0.585	902,750	(902,750)	–
			902,750	(902,750)	–

MFS SAP and MFS PSP
MFS SAP and MFS PSP were approved by the shareholders of MFS at the extraordinary general meeting on 30 July 2008.

The MFS SAP and MFS PSP awards of fully paid-up ordinary shares in MFS ("Awards"), their equivalent cash value or combinations thereof will be granted, free of payment, to selected employees (including Executive Directors) of MFS Group. Non-executive Directors of MFS Group will not be eligible to participate in the MFS SAP and MFS PSP.

The selection of an employee and the number of shares, which are the subject of each Award to be granted to an employee in accordance with MFS SAP and/or MFS PSP, shall be determined at the discretion of MFS RC taking into account criteria such as his rank, job performance, and contribution to the success and development of the MFS Group.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

38 SUBSIDIARIES' SHARE OPTION SCHEMES *(continued)*

MFS Technology Ltd ("MFS") *(continued)*
MFS Share Option Scheme ("MFS Scheme") *(continued)*
MFS Share Appreciation Rights Plan ("MFS SAP") and Performance Share Plan ("MFS PSP") *(continued)*

MFS SAP and MFS PSP *(continued)*
The final number of share appreciation rights ("SARs") under MFS SAP and/or performance shares ("PS") under MFS PSP will depend on the achievement of pre-determined target(s) at the end of one-year performance period of MFS. No SARs and/or PS will be vested if the threshold target(s) are not met at the end of the performance period. More SARs and/or PS could be awarded, up to a maximum of 200% of the baseline award, if superior target(s) are met.

The MFS RC is authorised to grant MFS SAP and/or MFS PSP Awards and to allot and issue from time to time such number of fully paid-up shares as may be required to be allotted and issued pursuant to the vesting of Awards under the respective plans. The aggregate number of shares granted under MFS SAP and/or MFS PSP, which may be issued pursuant to Awards, shall not exceed 10% of the total number of issued shares from time to time.

The MFS RC has the discretion under the MFS SAP and MFS PSP to settle in cash instead of shares.

In December 2012, in view that some of the overseas recipients do not have a CDP account for the credit of shares and that the settlement will result in fractional shares, the MFS RC has decided to settle the Awards in cash.

This resulted in a reclassification from an equity-settled share-based payment to a cash-settled share-based payment (liability). At the date of modification, the fair value of the MFS SAP and MFS PSP liabilities was re-measured using the fair value of the equity-settled award on the modification date. This amount was recognised as a liability, with a corresponding reduction of the share option reserve.

The liability is re-measured to its fair value at each subsequent reporting date until the settlement of the MFS SAP and MFS PSP. Any changes in fair value of the liability will be recorded in the income statement.

All outstanding MFS PSs were settled in cash in the previous financial year ended 31 December 2014.

Movement in the number of MFS PSs during the previous financial year was as follows:

Date of grant	Vesting period	Beginning of financial year	PS granted	PS paid/ vested/lapsed	End of financial year
2014					
MFS PSP					
05.12.2012	01.11.2014	2,069,185	–	(2,069,185)	–
		2,069,185	–	(2,069,185)	–

All outstanding MFS SAR were exercised and settled in cash in the previous financial year ended 31 December 2014.

Movement in the number of MFS SARs at the end of the previous financial year was as follows:

Date of grant	Vesting period	Beginning of financial year	SARs granted	SARs paid/ vested/lapsed	End of financial year
2014					
MFS SAP					
06.03.2012	01.12.2012 to 01.12.2013	11,862,000	–	(11,862,000)	–

38 SUBSIDIARIES' SHARE OPTION SCHEMES *(continued)*

Multi-Fineline Electronix, Inc. ("MFLEX")
Multi-Fineline Electronix, Inc. 2014 Equity Incentive Plan ("MFLEX 2014 Equity Incentive Plan")
Multi-Fineline Electronix, Inc. 2004 Stock Incentive Plan ("MFLEX 2004 Stock Incentive Plan")

At the MFLEX's annual general meeting of stockholders on 5 March 2014, MFLEX's stockholders approved the MFLEX 2014 Equity Incentive Plan. Upon stockholder approval of the MFLEX 2014 Equity Incentive Plan, MFLEX 2004 Stock Incentive Plan, as amended and restated to date was terminated. The MFLEX 2015 Equity Incentive Plan is administered by MFLEX's board of directors or a committee thereof (the "Administrator").

The MFLEX 2014 Equity Incentive Plan provides for the granting of stock options, stock appreciation rights ("SSAR" or "SSARs"), restricted share awards and restricted stock units ("RSUs") to employees, directors (including non-employee directors), advisors and consultants. Grants under the MFLEX 2014 Equity Incentive Plan vest and expire based on periods determined by the Administrator, but in no event can the expiration date be later than ten years from the date of grant (five years after the date of grant if the grant is an incentive stock option to an employee who owns more than 10% of the total combined voting power of all classes of MFLEX's capital stock. Grants of stock options may be either incentive stock options or non-qualified stock options.

MFLEX's assessment of the estimated fair value of stock options and SSARs granted is affected by the MFLEX's stock price as well as assumptions regarding a number of complex and subjective variables and the related tax impact. MFLEX utilises the Black-Scholes option valuation model to estimate the fair value of stock options and SSARs granted. Expected forfeitures are estimated based on the historical turnover of the MFLEX's employees. The fair value of service-based RSUs granted is based on the closing price of the MFLEX's common stock on the date of grant.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. This model also requires the input of highly subjective assumptions including:

(a) the expected volatility of MFLEX's common stock price, which MFLEX determines based on historical volatility of MFLEX's common stock;

(b) expected dividends, which are zero, as MFLEX does not currently anticipate issuing dividends;

(c) the expected term of the stock option or SSAR, which is estimated based on the historical stock option and SSAR exercise behaviour of MFLEX's employees; and

(d) the risk-free interest rate, which is based on observed interest rates (zero coupon U.S. Treasury debt securities) appropriate for the expected holding period.

No stock options were granted during the financial year ended 31 December 2015 and no stock options were outstanding as at 31 December 2015.

During the financial year ended 31 December 2015, MFLEX granted service-based RSUs equal to 63,780 (2014: 648,528) shares of MFLEX's common stock. These grants were made under the MFLEX 2014 Equity Incentive Plan (2014: MFLEX 2014 Equity Incentive Plan and 2004 Stock Incentive Plan) to certain employees (including executive officers) and directors at no cost to such individuals. Each RSU represents one hypothetical share of MFLEX's common stock, without voting or dividend rights. The RSUs granted to employees vest over a period of three years with one-third vesting on each of the anniversary dates of the grant date. Total compensation cost related to the RSUs is determined based on the fair value of MFLEX's common stock on the date of grant and is amortised into expense over the vesting period using the straight-line method.

MFLEX also grants performance-based RSUs to certain employees (including executive officers) from time to time. For such performance-based RSUs, MFLEX records share-based compensation cost based on the grant date fair value and the probability that the performance metrics will be achieved. MFLEX's management generally considers the probability that the performance metrics will be achieved to be a 70% chance or greater ("Probability Threshold"). At the end of each reporting period, MFLEX evaluates the awards to determine if the related performance metrics meet the Probability Threshold. If MFLEX determines that the vesting of any of the outstanding performance-based RSUs does not meet the Probability Threshold, the stock-based compensation expense related to those performance-based RSUs is reversed in the period in which this determination is made. However, if at a future date conditions have changed and the Probability Threshold is deemed to be met, the previously reversed stock-based compensation expense, as well as all subsequent projected stock-based compensation expense through the date of evaluation, is recognised in the period in which this new determination is made.

No performance-based RSUs were granted during the financial year ended 31 December 2015.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

38 SUBSIDIARIES' SHARE OPTION SCHEMES *(continued)*

Multi-Fineline Electronix, Inc. ("MFLEX") *(continued)*
Multi-Fineline Electronix, Inc. 2014 Equity Incentive Plan ("MFLEX 2014 Equity Incentive Plan") *(continued)*
Multi-Fineline Electronix, Inc. 2004 Stock Incentive Plan ("MFLEX 2004 Stock Incentive Plan") *(continued)*

In the previous financial year ended 31 December 2014, MFLEX granted 289,417 performance-based RSUs (the "MFLEX TSR PSUs"), which vest upon both market and performance conditions. The market condition was measured by determining MFLEX's total shareholder return ("TSR"), rounded to the nearest whole number, for the three-year period beginning 1 October 2014 through 31 December 2017 versus the TSR of the Nasdaq Total Return Index (the "Index") for the same period, using the calendar three-month average daily closing price of each on 1 October 2014 as compared to 31 December 2017. MFLEX also granted 94,057 performance-based RSUs (the "MFLEX Stock Price PSUs") containing both market and performance conditions, whereby the market condition was measured by the increase in the stock price of MFLEX, using the previous 20 trading day average daily closing price of each on 21 October 2014 and 31 December 2015.

An award with a market condition is accounted for and measured differently from an award that has only a performance or service condition. The effect of a market condition is reflected in the award's fair value on the grant date (e.g., a discount may be taken when estimating the fair value of such grant to reflect the market condition). The fair value may be lower than the fair value of an identical award that has only a service or performance condition because those awards will not include a discount on the fair value. All stock-based compensation expense for an award that has a market condition will be recognised if the requisite service period is fulfilled, even if the market condition is never satisfied.

No SSARs were granted during the financial year ended 31 December 2015 (2014: Nil). For SSARs granted in 2013, the Administrator approved the grant of SSARs to be settled in MFLEX's common stock. These grants were made under the MFLEX 2004 Stock Incentive Plan to certain employees (including executive officers) at no cost to such individual. Each SSAR has a base appreciation amount that is equal to the closing price of a share of MFLEX's common stock on each applicable grant date as reported on the NASDAQ Global Select Market. The SSARs granted to employees generally vest either over a period of three years with one-third vesting on each of the anniversary dates of the grant date or may vest completely on the third anniversary date of the grant date and have a contractual life of 10 years. MFLEX's SSARs are treated as equity awards and are measured using the initial compensation element of the award at the time of grant and the expense is recognised over the requisite service period (the vesting period) with an exercise price equal to the stock price on the date of grant. Upon exercise, each SSAR will be settled in the MFLEX's common stock. Whole MFLEX shares will be issued based on the percentage of share appreciation between the weighted-average price per share for all grant dates and the fair market value per share on the exercise date, multiplied by the number of SSARs units being exercised. Total compensation cost related to SSARs is recognised over the vesting period and is determined based on the whole number of shares multiplied by the grant date fair value.

Movement in the number of unissued ordinary shares under options, RSUs and SSARs during the financial year and their exercise price was as follows:

Date of grant	Exercise period/ vesting date	Exercise price	Beginning of financial year	Options granted	Shares under option exercised	Shares under option lapsed	End of financial year
2015							
04.03.2005	04.03.2006 to 04.03.2015	US$20.81	15,000	-	-	(15,000)	-
# 05.12.2008	05.12.2011 to 05.12.2018	US$10.76	41,237	-	(18,004)	-	23,233
# 05.03.2009	05.12.2011 to 05.03.2019	US$12.70	34,938	-	(15,254)	-	19,684
# 05.06.2009	05.12.2011 to 05.06.2019	US$21.90	20,260	-	(4,850)	-	15,410
# 04.09.2009	05.12.2011 to 04.09.2019	US$28.58	15,524	-	-	(2,186)	13,338

38 SUBSIDIARIES' SHARE OPTION SCHEMES *(continued)*

Multi-Fineline Electronix, Inc. ("MFLEX") *(continued)*
Multi-Fineline Electronix, Inc. 2014 Equity Incentive Plan ("MFLEX 2014 Equity Incentive Plan") *(continued)*
Multi-Fineline Electronix, Inc. 2004 Stock Incentive Plan ("MFLEX 2004 Stock Incentive Plan") *(continued)*

Date of grant	Exercise period/ vesting date	Exercise price	Beginning of financial year	Options granted	Shares under option exercised	Shares under option lapsed	End of financial year
2015 *(continued)*							
# 16.11.2009	16.11.2012 to 30.11.2019	US$25.96	117,567	-	-	(17,425)	100,142
# 15.11.2010	15.11.2011 to 15.11.2020	US$22.17	108,948	-	(27,753)	-	81,195
# 14.11.2011	15.11.2012 to 14.11.2021	US$19.65	141,107	-	(50,078)	-	91,029
# 13.11.2012	15.11.2013 to 15.11.2015	US$17.90	216,092	-	(70,315)	-	145,777
* 18.12.2012	30.09.2015 @	US$0.00	72,031	-	(62,843)	(9,188)	-
* 27.06.2013	⌖⌖⌖	US$0.00	57,300	-	(26,350)	(4,600)	26,350
* 01.07.2013	⌖⌖⌖	US$0.00	2,400	-	(1,200)	-	1,200
* 11.11.2013	◈	US$0.00	183,292	-	-	(23,379)	159,913
* 11.11.2013	⌖⌖⌖	US$0.00	148,287	-	(66,145)	(15,996)	66,146
* 13.11.2013	⌖⌖⌖	US$0.00	1,400	-	(700)	-	700
* 19.12.2013	◈	US$0.00	78,553	-	-	(10,019)	68,534
* 02.01.2014	⌖⌖⌖	US$0.00	2,100	-	(700)	-	1,400
* 04.03.2014	⌖⌖⌖	US$0.00	7,500	-	(2,500)	(3,000)	2,000
* 20.03.2014	05.03.2015	US$0.00	37,116	-	(37,116)	-	-
* 29.04.2014	⌖⌖⌖	US$0.00	1,800	-	(600)	-	1,200
* 25.09.2014	⌖⌖⌖	US$0.00	2,700	-	(900)	-	1,800
* 22.10.2014	01.01.2016 to 01.01.2018	US$0.00	588,312	-	-	(77,094)	511,218
* 22.10.2014	◈	US$0.00	383,474	-	-	(42,462)	341,012
* 09.12.2014	⌖⌖⌖	US$0.00	2,100	-	(700)	-	1,400
* 05.03.2015	⌖⌖	US$0.00	-	22,680	-	-	22,680
* 19.03.2015	⌖⌖⌖	US$0.00	-	2,100	-	-	2,100
* 24.04.2015	⌖⌖⌖	US$0.00	-	3,000	-	-	3,000
* 15.06.2015	⌖⌖⌖	US$0.00	-	36,000	-	-	36,000
			2,279,038	63,780	(386,008)	(220,349)	1,736,461

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

38 SUBSIDIARIES' SHARE OPTION SCHEMES *(continued)*

Multi-Fineline Electronix, Inc. ("MFLEX") *(continued)*
Multi-Fineline Electronix, Inc. 2014 Equity Incentive Plan ("MFLEX 2014 Equity Incentive Plan") *(continued)*
Multi-Fineline Electronix, Inc. 2004 Stock Incentive Plan ("MFLEX 2004 Stock Incentive Plan") *(continued)*

Date of grant	Exercise period/ vesting date	Exercise price	Beginning of financial year	Options granted	Shares under option exercised	Shares under option lapsed	End of financial year
2014							
25.06.2004	25.06.2005 to 25.06.2014	US$10.00	143,547	-	(75,777)	(67,770)	-
04.03.2005	04.03.2006 to 04.03.2015	US$20.81	15,000	-	-	-	15,000
# 05.12.2008	05.12.2011 to 05.12.2018	US$10.76	41,237	-	-	-	41,237
# 05.03.2009	05.12.2011 to 05.03.2019	US$12.70	34,938	-	-	-	34,938
# 05.06.2009	05.12.2011 to 05.06.2019	US$21.90	20,260	-	-	-	20,260
# 04.09.2009	05.12.2011 to 04.09.2019	US$28.58	15,524	-	-	-	15,524
# 16.11.2009	16.11.2012 to 30.11.2019	US$25.96	117,567	-	-	-	117,567
# 15.11.2010	15.11.2011 to 15.11.2020	US$22.17	108,948	-	-	-	108,948
* 14.11.2011	30.09.2014 @	US$0.00	110,046	-	(110,046)	-	-
# 14.11.2011	15.11.2012 to 14.11.2021	US$19.65	141,107	-	-	-	141,107
# 13.11.2012	15.11.2013 to 15.11.2015	US$17.90	216,092	-	-	-	216,092
* 18.12.2012	30.09.2015 @	US$0.00	72,031	-	-	-	72,031
* 24.06.2013	⌖⌖⌖	US$0.00	2,100	-	(700)	(1,400)	-
* 27.06.2013	⌖⌖⌖	US$0.00	118,350	-	(29,750)	(31,300)	57,300
* 01.07.2013	⌖⌖⌖	US$0.00	3,600	-	(1,200)	-	2,400
* 14.08.2013	⌖⌖	US$0.00	5,722	-	(5,722)	-	-

38 SUBSIDIARIES' SHARE OPTION SCHEMES *(continued)*

Multi-Fineline Electronix, Inc. ("MFLEX") *(continued)*
Multi-Fineline Electronix, Inc. 2014 Equity Incentive Plan ("MFLEX 2014 Equity Incentive Plan") *(continued)*
Multi-Fineline Electronix, Inc. 2004 Stock Incentive Plan ("MFLEX 2004 Stock Incentive Plan") *(continued)*

Date of grant	Exercise period/ vesting date	Exercise price	Beginning of financial year	Options granted	Shares under option exercised	Shares under option lapsed	End of financial year
2014 *(continued)*							
* 08.10.2013	⌖⌖⌖	US$0.00	2,100	-	-	(2,100)	-
* 11.11.2013	◈	US$0.00	183,292	-	-	-	183,292
* 11.11.2013	⌖⌖⌖	US$0.00	267,427	-	(76,540)	(42,600)	148,287
* 13.11.2013	⌖⌖⌖	US$0.00	2,100	-	(700)	-	1,400
* 06.12.2013	05.03.2014	US$0.00	1,745	-	(1,745)	-	-
* 19.12.2013	◈	US$0.00	78,553	-	-	-	78,553
* 02.01.2014	⌖⌖⌖	US$0.00	-	2,100	-	-	2,100
* 04.03.2014	⌖⌖⌖	US$0.00	-	7,500	-	-	7,500
* 20.03.2014	⌖⌖⌖	US$0.00	-	2,400	-	(2,400)	-
* 20.03.2014	05.03.2015	US$0.00	-	37,116	-	-	37,116
* 29.04.2014	⌖⌖⌖	US$0.00	-	1,800	-	-	1,800
* 25.09.2014	⌖⌖⌖	US$0.00	-	2,700	-	-	2,700
* 22.10.2014	01.01.2016 to 01.01.2018	US$0.00	-	592,812	-	(4,500)	588,312
* 22.10.2014	◈	US$0.00	-	383,474	-	-	383,474
* 09.12.2014	⌖⌖⌖	US$0.00	-	2,100	-	-	2,100
			1,701,286	1,032,002	(302,180)	(152,070)	2,279,038

* RSUs.
\# SSARs.
⌖⌖ vests 100% one year from date of grant.
⌖⌖⌖ vests 1/3 annually from date of grant.
◈ vests based on performance targets set by MFLEX's management.
@ conversion of performance-based RSUs to service-based RSUs as a result of the change in control that occurred during May 2013.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

38 SUBSIDIARIES' SHARE OPTION SCHEMES *(continued)*

Multi-Fineline Electronix, Inc. ("MFLEX") *(continued)*
Multi-Fineline Electronix, Inc. 2014 Equity Incentive Plan ("MFLEX 2014 Equity Incentive Plan") *(continued)*
Multi-Fineline Electronix, Inc. 2004 Stock Incentive Plan ("MFLEX 2004 Stock Incentive Plan") *(continued)*

Out of the outstanding 1,736,461 shares (2014: 2,279,038), options on 489,808 shares (2014: 710,673) are exercisable, which consisted of Nil (2014: 15,000) stock options and 489,808 (2014: 695,673) SSARs. Stock options exercised in 2015 resulted in 186,254 (2014: 75,777) shares being issued at the weighted average exercise price of US$17.99 (2014: US$10.00) per stock unit.

The fair value of RSUs granted between the period of 5 March 2015 and 15 June 2015 (2014: 2 January 2014 and 9 December 2014) based on the market price of MFLEX stock units on the grant date ranging from US$18.57 to US$23.25 (2014: US$8.96 to US$14.58) was US$1,390,306 (2014: US$9,500,324).

	2015 US$	2014 US$
Weighted average share price at the date of exercise (per stock unit)	21.17	10.64

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 2015 and 2014, there were no outstanding options in respect of unissued shares of PSPL.

39 SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services, and the reportable operating segments are as follows:

1. The Property Rental & Services segment is in the business of providing services for asset management and hospitality management.

2. The Property Development segment encompasses activities such as bidding for land, project financing, design and construction to project management, property marketing and sales, and the overall coordination of all these activities.

3. The Technology & Manufacturing is in the businesses of:

   - manufacture of flexible printed circuits and rigid printed circuit boards; and
   - manufacture of die-cast precision parts and components as well as provision of turnkey manufacturing solutions.

4. Corporate Services & Others segment comprises:

   - water and medical waste environmental engineering and related services;
   - system integration for broadcasting and multimedia, communication and information technology, security and surveillance sectors;
   - mining, distribution of construction material, auto parts and liquefied petroleum gas; and
   - investment management and corporate activities.

   None of which contributes a sepearately reportable segment.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

39 SEGMENT INFORMATION *(continued)*

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.

(a) Business segments

The following tables present revenue and profit as well as certain asset and liability information regarding business segments at 31 December 2015 and 2014.

	Property Rental & Services $000	Property Development $000	Technology & Manufacturing $000	Corporate Services & Others $000	Elimination $000	Total $000
Year ended 31 December 2015						
Segment revenue						
Sales to external customers	137,992	402,037	971,147	345,817	–	1,856,993
Inter-segment sales	977	–	–	9,819	(10,796)	–
Total revenue	138,969	402,037	971,147	355,636	(10,796)	1,856,993
Segment results	68,839	18,385	63,913	13,760	–	164,897
Finance costs						(37,139)
Interest income						4,460
Share of profit /(loss) from equity-accounted associates	3,970	(186)	–	(1,931)	–	1,853
Share of profit /(loss) from equity-accounted joint ventures	6,844	(4,301)	–	–	–	2,543
Profit before tax						136,614
Income tax expense						(6,593)
Profit net of tax						130,021
Segment assets	1,983,657	950,030	762,990	534,730	–	4,231,407
Interests in associates	64,879	1,654	–	58,936	–	125,469
Interests in joint ventures	7,729	38,910	–	10,496	–	57,135
Unallocated assets						65,582
Total assets						4,479,593
Segment liabilities	134,763	84,518	204,895	108,825	–	533,001
Unallocated liabilities						1,559,125
Total liabilities						2,092,126

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

39 SEGMENT INFORMATION *(continued)*

(a) Business segments *(continued)*

	Property Rental & Services $000	Property Development $000	Technology & Manufacturing $000	Corporate Services & Others $000	Elimination $000	Total $000
Year ended 31 December 2015 *(continued)*						
Other operating segment information:						
Impairment loss on trade receivables	4,499	–	146	1,817	–	6,462
Capital expenditure	1,736	86	23,897	8,236	–	33,955
Depreciation and amortisation	2,757	762	67,861	13,508	–	84,888
Gain on disposal of available-for-sale financial assets	–	–	–	5,484	–	5,484
Gain on disposal of assets of disposal group classified as held for sale	–	–	6,632	1,837	–	8,469
Impairment loss on intangible assets	–	–	–	846	–	846
Net gain on disposal of subsidiaries, associates and joint ventures	2,735	–	–	13,753	–	16,488
Properties held for sale written down	–	12,489	–	–	–	12,489
Realisation of translation reserve upon liquidation of subsidiaries	220	–	–	204	–	424
Restructuring expenses/(reversal of restructuring expenses)	(206)	16	418	88	–	316
Surplus on revaluation of investment properties	2,179	–	–	–	–	2,179
Year ended 31 December 2014						
Segment revenue						
Sales to external customers	148,683	881,204	879,564	1,299,870	–	3,209,321
Inter-segment sales	1,917	–	–	14,191	(16,108)	–
Total revenue	150,600	881,204	879,564	1,314,061	(16,108)	3,209,321
Segment results	80,951	44,708	(12,514)	1,676	–	114,821
Finance costs						(41,965)
Interest income						3,183
Share of (loss)/profit from equity-accounted associates	(149)	–	–	246	–	97
Share of profit /(loss) from equity-accounted joint ventures	353	(763)	–	28	–	(382)
Profit before tax						75,754
Income tax expense						(35,267)
Profit from continuing operations, net of tax						40,487
Profit from discontinued operation, net of tax						90,055
Profit net of tax						130,542
Segment assets	2,740,507	660,376	743,866	479,687	–	4,624,436
Interests in associates	42,665	35,457	–	37,584	–	115,706
Interests in joint ventures	16,590	51,889	–	24,745	–	93,224
Unallocated assets						67,048
Total assets						4,900,414
Segment liabilities	174,674	111,708	265,030	112,312	–	663,724
Unallocated liabilities						1,856,496
Total liabilities						2,520,220

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

39 SEGMENT INFORMATION *(continued)*

(a) Business segments *(continued)*

	Property Rental & Services $000	Property Development $000	Technology & Manufacturing $000	Corporate Services & Others $000	Elimination $000	Total $000
Year ended 31 December 2014 *(continued)*						
Other operating segment information:						
(Reversal of impairment loss)/ impairment loss on trade receivables	(350)	–	(152)	2,244	–	1,742
Capital expenditure	2,723	451	28,449	29,791	–	61,414
Depreciation and amortisation	3,602	405	69,703	16,379	–	90,089
Gain on disposal of available-for-sale financial assets	–	–	–	37	–	37
Gain on disposal of assets of disposal group classified as held for sale	–	(1,040)	–	2,405	–	1,365
Impairment loss on intangible assets	–	–	–	6,330	–	6,330
Realisation of translation reserve upon liquidation of subsidiaries	116	–	755	3,511	–	4,382
Net gain on disposal of subsidiaries, associates and joint ventures	–	–	–	11,636	–	11,636
Properties held for sale written down	–	15,858	–	–	–	15,858
Reversal of impairment loss on property, plant & equipment	–	–	24,151	(3,000)	–	21,151
Restructuring expenses	–	129	19,348	565	–	20,042

(b) 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	
	2015 $000	2014 $000	2015 $000	2014 $000
Singapore	737,916	1,779,058	1,905,252	1,853,648
Malaysia	28,229	186,334	25,343	22,009
ASEAN (excluding Singapore and Malaysia)*	4,594	12,951	931	1,454
China	297,587	656,421	233,980	308,216
Hong Kong	65,624	220,203	–	–
Taiwan	86,885	61,008	14,962	15,366
Asia (excluding ASEAN, China, Hong Kong and Taiwan)*	123,151	62,214	576	116
USA	463,112	150,457	27,486	27,465
Others (or Non-Asian countries and USA)*	49,895	80,675	38,420	39,181
	1,856,993	3,209,321	2,246,950	2,267,455

* 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, intangible assets and trade and other receivables as presented in the statement of financial position.

Information about a major customer

Revenue from one major customer accounted for approximately 40% (2014: 20%) of the Group's revenue.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

40 Comparative figures

For comparison purposes, the following major segmental information have been re-presented to be consistent with the current year's presentation and to better reflect the nature of the Group's operations.

		GROUP	
		Re-presented 2014 $000	Previous 2014 $000
Presented in the segment information			
Note 39	**Segment information**		
	Segment revenue		
	Engineering	–	90,565
	Property Rental & Services	148,683	239,873
	Property Development	881,204	865,794
	Technology & Manufacturing	879,564	–
	WBL Group	–	2,012,018
	Corporate Services & Others	1,299,870	1,071
		3,209,321	3,209,321
Note 39	**Segment information**		
	Segment results		
	Engineering	–	(4,966)
	Property Rental & Services	80,951	84,983
	Property Development	44,708	54,212
	Technology & Manufacturing	(12,514)	–
	WBL Group	–	(9,639)
	Corporate Services & Others	1,676	(9,769)
		114,821	114,821
Note 39	**Segment information**		
	Segment assets		
	Engineering	–	73,247
	Property Rental & Services	2,740,507	2,068,346
	Property Development	660,376	655,149
	Technology & Manufacturing	743,866	–
	WBL Group	–	1,767,712
	Corporate Services & Others	479,687	59,982
		4,624,436	4,624,436
Note 39	**Segment information**		
	Total liabilities		
	Engineering	–	24,674
	Property Rental & Services	174,674	171,531
	Property Development	111,708	56,864
	Technology & Manufacturing	265,030	–
	WBL Group	–	378,502
	Corporate Services & Others	112,312	9,600
	Unallocated liabilities	1,856,496	1,879,049
	Total liabilities	2,520,220	2,520,220

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

41 SUBSEQUENT EVENTS

(a) On 5 February 2016, the Company announced the proposed disposal of its indirectly owned subsidiary, MFLEX to Suzhou Dongshan Precision Manufacturing Co., Ltd. The proposed disposal is subject to the fulfilment or wavier of certain pre-conditions including the approval of the shareholders of the Company to be obtained at an extraordinary general meeting. Upon completion of the proposed disposal, the Group will recognise an estimated net disposal gain of approximately $115.2 million, as announced.

(b) On 26 February 2016, the Group's Singapore-listed subsidiary, MFS obtained the approval from its shareholders at the extraordinary general meeting on the proposed capital reduction to distribute approximately $70.1 million on the basis of $0.10733 for each issued ordinary share in the capital of MFS. Cash distribution to MFS' shareholders is expected to be completed on or about 5 April 2016. The proposed capital reduction is not expected to result in any material change to the reported figures.

42 AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the financial year ended 31 December 2015 were authorised for issue in accordance with a resolution of the directors on 18 March 2016.

SHAREHOLDING STATISTICS

As at 15 March 2016

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	5	9.26	159	0.02
100 – 1,000	20	37.04	15,821	1.81
1,001 – 10,000	21	38.89	104,536	11.95
10,001 – 1,000,000	8	14.81	754,484	86.22
1,000,001 and above	-	-	-	-
Total	**54**	**100.00**	**875,000**	**100.00**

TEN LARGEST PREFERENCE SHAREHOLDERS:

	Name of Preference Shareholders	No. of Preference Shares held	%
1.	Great Eastern Life Assurance Co Ltd – Participating Fund	535,207	61.17
2.	Kambau Pte Ltd	69,000	7.89
3.	The Great Eastern Trust Private Limited	41,357	4.73
4.	The Shaw Foundation Pte	40,000	4.57
5.	Oversea Chinese Bank Nominees Pte Ltd	20,500	2.34
6.	William Tan Cheng Ju	18,420	2.11
7.	Thia Cheng Song	17,000	1.94
8.	Ng Lee Kiang	13,000	1.49
9.	Chong Lee Yin	10,000	1.14
10.	Ng Ing Liang	10,000	1.14
	Total	**774,484**	**88.52**

STOCKHOLDING STATISTICS

As at 15 March 2016

TOTAL NUMBER OF CLASS OF SHARES:

Ordinary Shares each converted into Stock Units - 637,228,603

VOTING RIGHTS: One vote for one ordinary stock unit.

DISTRIBUTION OF STOCKHOLDINGS:

Size of Stockholdings	No. of Ordinary Stockholders	%	No. of Stock Units	%
1 – 99	124	1.39	2,612	0.00
100 – 1,000	745	8.38	570,795	0.09
1,001 – 10,000	5,157	57.97	26,384,050	4.14
10,001 – 1,000,000	2,821	31.71	150,796,060	23.66
1,000,001 and above	49	0.55	459,475,086	72.11
Total	**8,896**	**100.00**	**637,228,603**	**100.00**

TWENTY LARGEST ORDINARY STOCKHOLDERS:

	Name of Ordinary Stockholders	No. of Stock Units held	%
1.	Great Eastern Life Assurance Co Ltd – Participating Fund	80,235,499	12.59
2.	Citibank Nominees Singapore Pte Ltd	68,313,092	10.72
3.	Lee Foundation States Of Malaya	52,673,116	8.27
4.	Oversea Chinese Bank Nominees Pte Ltd	26,657,457	4.18
5.	DBS Nominees Pte Ltd	24,788,822	3.89
6.	WBL Corporation Limited	21,712,000	3.41
7.	The Overseas Assurance Corporation Ltd	17,099,408	2.68
8.	Morph Investments Ltd	16,730,000	2.63
9.	Raffles Nominees (Pte) Ltd	10,971,617	1.72
10.	United Overseas Bank Nominees Pte Ltd	7,936,734	1.25
11.	Singapore Investments Pte Ltd	7,692,110	1.21
12.	Kota Trading Company Sendirian Berhad	7,468,800	1.17
13.	DBSN Services Pte Ltd	7,068,591	1.11
14	The Great Eastern Trust Private Limited	6,821,680	1.07
15.	DBS Vickers Securities (S) Pte Ltd	6,703,604	1.05
16.	HSBC (Singapore) Nominees Pte Ltd	6,321,468	0.99
17.	Lee Foundation	6,296,590	0.99
18.	DB Nominees (S) Pte Ltd	5,829,675	0.91
19.	Bank of Singapore Nominees Pte Ltd	5,516,832	0.87
20.	UOB Kay Hian Pte Ltd	5,238,333	0.82
	Total	**392,075,428**	**61.53**

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 15 March 2016, approximately 75% of the total number of issued shares of the Company 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.

INTERESTED PERSON TRANSACTIONS

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

The value of interested person transactions carried out 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 pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)
	$000	$000
Great Eastern Life Assurance (Malaysia) Berhad [1]		
General Transactions		
- Provision of equipment	-	102[2]

Notes:

(1) Great Eastern Life Assurance (Malaysia) Berhad is the wholly-owned subsidiary of Great Eastern Holdings Limited.

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

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 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 15 March 2016

Name of Substantial Shareholders	Stock Units				Preference Shares			
	Direct Interest		Deemed Interest		Direct Interest		Deemed Interest	
	No. of Stock Units	%	No. of Stock Units	%	No. of Preference Shares	%	No. of Preference Shares	%
Oversea-Chinese Banking Corporation Limited (1)	26,233,458	4.12	104,175,958	16.35	20,500	2.34	591,800	67.63
Great Eastern Holdings Limited (2)	-	-	104,175,958	16.35	-	-	591,800	67.63
The Great Eastern Life Assurance Company Limited	80,240,675	12.59	-	-	537,207	61.40	-	-
Lee Foundation States Of Malaya	52,673,116	8.27	-	-	-	-	-	-
Kambau Pte Ltd	-	-	-	-	69,000	7.89	-	-
Dr Tan Kheng Lian (3)	-	-	-	-	-	-	69,000	7.89
Grange Investment Holdings Pte Ltd (BVI Company) (3)	-	-	-	-	-	-	69,000	7.89

Notes:

(1) Oversea-Chinese Banking Corporation Limited is deemed to have an interest in:

(a) 104,175,958 Stock Units, of which 80,235,499 Stock Units were held by The Great Eastern Life Assurance Company Limited, 17,098,075 Stock Units were held by The Overseas Assurance Corporation Limited, 6,821,680 Stock Units were held by The Great Eastern Trust Private Limited, 5,176 Stock Units were held by United Overseas Bank Nominees Pte Ltd (for the beneficial interest of The Great Eastern Life Assurance Company Limited), 5,176 Stock Units were held by United Overseas Bank Nominees Pte Ltd (for the beneficial interest of The Great Eastern Trust Private Limited) and 10,352 Stock Units were held by Citibank Nominees Singapore Pte Ltd (for the beneficial interest of The Overseas Assurance Corporation Limited); and

(b) 591,800 Preference Shares, of which 535,207 Preference Shares were held by The Great Eastern Life Assurance Company Limited, 41,357 Preference Shares were held by The Great Eastern Trust Private Limited, 9,236 Preference Shares were held by The Overseas Assurance Corporation Limited, 2,000 Preference Shares were held by United Overseas Bank Nominees Pte Ltd (for the beneficial interest of The Great Eastern Life Assurance Company Limited), 2,000 Preference Shares were held by United Overseas Bank Nominees Pte Ltd (for the beneficial interest of The Great Eastern Trust Private Limited) and 2,000 Preference Shares were held by Citibank Nominees Singapore Pte Ltd (for the beneficial interest of The Overseas Assurance Corporation Limited).

(2) Great Eastern Holdings Limited is deemed to have an interest in:

(a) 104,175,958 Stock Units, of which 80,235,499 Stock Units were held by The Great Eastern Life Assurance Company Limited, 17,098,075 Stock Units were held by The Overseas Assurance Corporation Limited, 6,821,680 Stock Units were held by The Great Eastern Trust Private Limited, 5,176 Stock Units were held by United Overseas Bank Nominees Pte Ltd (for the beneficial interest of The Great Eastern Life Assurance Company Limited), 5,176 Stock Units were held by United Overseas Bank Nominees Pte Ltd (for the beneficial interest of The Great Eastern Trust Private Limited) and 10,352 Stock Units were held by Citibank Nominees Singapore Pte Ltd (for the beneficial interest of The Overseas Assurance Corporation Limited); and

(b) 591,800 Preference Shares, of which 535,207 Preference Shares were held by The Great Eastern Life Assurance Company Limited, 41,357 Preference Shares were held by The Great Eastern Trust Private Limited, 9,236 Preference Shares were held by The Overseas Assurance Corporation Limited, 2,000 Preference Shares were held by United Overseas Bank Nominees Pte Ltd (for the beneficial interest of The Great Eastern Life Assurance Company Limited), 2,000 Preference Shares were held by United Overseas Bank Nominees Pte Ltd (for the beneficial interest of The Great Eastern Trust Private Limited) and 2,000 Preference Shares were held by Citibank Nominees Singapore Pte Ltd (for the beneficial interest of The Overseas Assurance Corporation Limited).

(3) Dr Tan Kheng Lian and Grange Investment Holdings Pte Ltd (BVI Company) are deemed to be interested in the Preference Shares held by Kambau Pte Ltd.

MAJOR PROPERTIES

31 December 2015

INVESTMENT PROPERTIES

Description and Location	Existing use	Tenure	Unexpired lease term
UE BizHub CITY Clemenceau Avenue, Singapore	Commercial, retail and hospitality	Leasehold	866 years
Mixed-use development at one-north Buona Vista Road/ North Buona Vista Road, Singapore	Retail and hospitality	Leasehold	88 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	3,171,102	Phase 4: 18% (2017)
Shenyang Orchard Summer Palace City complex comprising a shopping mall, Grade A offices, serviced apartments and residential apartments Shenyang, China	67.6%	360,784	2,680,894	Serviced apartments: 76% (2016) Residential apartments: 19% (2018)

(1) In respect of the whole development.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the One Hundred and Second 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 Friday, 29 April 2016 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 2015 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 2015, as recommended by the Directors.

3. To declare a first and final dividend of 5 cents (one-tier tax exempt) per ordinary stock unit and a special dividend of 3 cents (one-tier tax exempt) per ordinary stock unit for the year ended 31 December 2015, as recommended by the Directors.

4. To re-elect Mr Norman Ip Ka Cheung, a Director retiring by rotation pursuant to Article 99 of the Constitution of the Company and who, being eligible, offers himself for re-election.

5. To re-elect Mr 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.

6. To re-appoint Mr Chew Leng Seng, a Director retiring under the resolution passed at last year's One Hundred and First Annual General Meeting pursuant to Section 153(6) of the Companies Act, Chapter 50 of Singapore (which was then in force), as a Director of the Company.

7. (a) To approve Directors' Fees of $877,000 for the year ended 31 December 2015. (2014: $944,490)

   (b) To approve the amount of $261,250 proposed as Special Fee for Mr Norman Ip Ka Cheung for the year ended 31 December 2015. (2014: $237,500)

8. 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 resolution with or without any modifications, as an Ordinary Resolution:

9. That:

   (a) approval be and is hereby given, for the purposes of Chapter 9 of the Listing Manual ("Chapter 9") of the Singapore Exchange Securities Trading Limited, for the Company, its subsidiaries and associated companies that are considered to be "entities at risk" under Chapter 9, or any of them, to enter into any of the transactions falling within the types of Interested Person Transactions described in Appendix A of the Company's letter to members dated 12 April 2016 (the "Letter"), with any party who is of the classes of Interested Persons described in Appendix A of the Letter, provided that such transactions are made on normal commercial terms and in accordance with the review procedures for Interested Person Transactions (the "IPT Mandate");

   (b) the IPT Mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company; and

NOTICE OF ANNUAL GENERAL MEETING

(c) the Directors of the Company 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 may consider expedient or necessary or in the interests of the Company to give effect to the IPT Mandate and/or this Resolution.

By Order of the Board

Tan Swee Hong
Company Secretary

Singapore
12 April 2016

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 #02-00, 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 Norman Ip Ka Cheung, who will be retiring by rotation under Article 99 of the Constitution of the Company. Mr Ip is the Group Managing Director of the Company and a member of the Executive Committee. Save as disclosed herein, there are no material relationships (including family relationships) between Mr Ip 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 Ip, please refer to the "Board of Directors" section in the Annual Report 2015.

Item no. 5 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 a member of the Audit & Risk Committee, and is considered an Independent Director for the purposes 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 2015.

NOTICE OF ANNUAL GENERAL MEETING

Item no. 6 is to approve and authorise the continuation of Mr Chew Leng Seng in office, as a Director of the Company, from the date of the One Hundred and Second Annual General Meeting onwards without limitation in tenure save for prevailing applicable laws, listing rules and/or regulations, including the Constitution of the Company. This is consequent upon the repeal of Section 153 of the Companies Act, Chapter 50 of Singapore, with effect from 3 January 2016. The resolution passed pursuant to Section 153(6) of the Companies Act, Chapter 50 of Singapore, at last year's One Hundred and First Annual General Meeting (as Section 153 was then still in force) could only permit the re-appointment of Mr Chew, being over 70 years of age, to hold office as a Director of the Company, until the One Hundred and Second Annual General Meeting. There are no material relationships (including family relationships) between Mr Chew 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 Chew, please refer to the "Board of Directors" section in the Annual Report 2015.

Item no. 7(a) is to facilitate the payment of Directors' Fees of $877,000 for the year ended 31 December 2015.

Item no. 7(b) is to approve the Special Fee to be paid to Mr Norman Ip Ka Cheung for his responsibilities and duties assumed over and above the normal duty and responsibility associated with the office of a Non-Executive Director prior to his appointment as Group Managing Director.

Item no. 9 is to renew, effective until the conclusion of the next Annual General Meeting, the IPT Mandate to enable the Company, its subsidiaries and associated companies which are considered "entities at risk" to enter in the ordinary course of business into certain types of Interested Person Transactions with specified classes of the Company's Interested Persons. Particulars of the IPT Mandate and the Audit & Risk Committee's confirmation in support of the renewal of the IPT Mandate are set out in the Company's letter to members dated 12 April 2016 accompanying the Annual Report 2015.

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 10 May 2016 to 11 May 2016 (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 #02-00, Singapore 068898, up to 5.00 p.m. on 9 May 2016 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 9 May 2016 will rank for the relevant proposed dividends.

The proposed dividends, if approved by members at the One Hundred and Second Annual General Meeting, will be paid on 25 May 2016.

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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 12 April 2016.

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 Second Annual General Meeting (the "Meeting") of the Company, to be held at UE Convention Centre, 4 Changi Business Park Avenue 1, Singapore 486016 on Friday, 29 April 2016 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 Dividends on Ordinary Stock Units		
4.	Re-election of Mr Norman Ip Ka Cheung		
5.	Re-election of Mr David Wong Cheong Fook		
6.	Re-appointment of Mr Chew Leng Seng		
7(a).	Approval of Directors' Fees		
7(b).	Approval of Special Fee for Mr Norman Ip Ka Cheung		
8.	Re-appointment of Ernst & Young LLP as Auditor		
9.	Renewal of Interested Person Transactions 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 ..... 2016.

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 #02-00, 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.

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Company Registration No. 191200018G

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