



Q3 2018 Financial Statement Announcement

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

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

	Group					
	3 months ended			9 months ended		
	30/9/2018	30/9/2017 (Restated) ⁽¹⁾	Change	30/9/2018	30/9/2017 (Restated) ⁽¹⁾	Change
	\$000	\$000	(%)	\$000	\$000	(%)
Revenue	81,505	118,217	(31)	282,941	349,064	(19)
Cost of sales	(41,112)	(71,939)	(43)	(153,295)	(210,206)	(27)
Gross profit	40,393	46,278	(13)	129,646	138,858	(7)
Other items of income						
Interest income	1,006	642	57	3,150	2,263	39
Other income	2,794	3,278	(15)	4,802	50,223	(90)
Other items of expense						
Distribution costs	(5,299)	(7,794)	(32)	(17,432)	(22,544)	(23)
Administrative expenses	(22,554)	(24,853)	(9)	(67,959)	(73,989)	(8)
Finance costs	(5,792)	(4,123)	40	(16,969)	(15,811)	7
Other expenses	(1,870)	(1,378)	36	(3,416)	(12,544)	(73)
Operating profit	8,678	12,050	(28)	31,822	66,456	(52)
Share of profit/(loss) from equity-accounted associates and joint ventures	536	(785)	NM	2,898	1,447	100
Profit before tax	9,214	11,265	(18)	34,720	67,903	(49)
Income tax expense	(2,457)	(2,690)	(9)	(7,341)	(10,183)	(28)
Profit net of tax	6,757	8,575	(21)	27,379	57,720	(53)
Profit/(loss) attributable to:						
Owners of the Company	7,683	9,095	(16)	27,691	63,190	(56)
Non-controlling interests	(926)	(520)	78	(312)	(5,470)	(94)
	6,757	8,575	(21)	27,379	57,720	(53)

NM: Not meaningful

⁽¹⁾ The 2017 comparative figures have been restated to take into account the retrospective adjustments arising from the adoption of the new financial reporting framework, Singapore Financial Reporting Standards (International) ("SFRS(I)") as detailed in paragraph 5 of this announcement.

1(a)(ii) Other information

	Group			
	3 months ended		9 months ended	
	30/9/2018	30/9/2017	30/9/2018	30/9/2017
	\$000	\$000	\$000	\$000
Depreciation and amortisation	(3,426)	(4,551)	(10,459)	(13,792)
Gain/(loss) on disposal of property, plant and equipment	31	(9)	40	(31)
Foreign exchange loss	(869)	(201)	(566)	(802)
Impairment loss on trade receivables	(291)	(112)	(573)	(12)
Inventories written-back/(written-down)	142	65	16	(53)
Over/(under) provision of prior years' tax	3	2	515	(148)
Properties held for sale written-down	-	(711)	-	(9,613)
Surplus on revaluation of investment properties	-	-	-	45,400

1(a)(iii) Statement of comprehensive income

	Group			
	3 months ended		9 months ended	
	30/9/2018	30/9/2017	30/9/2018	30/9/2017
	\$000	(Restated) ⁽¹⁾ \$000	\$000	(Restated) ⁽¹⁾ \$000
Profit net of tax for the period	6,757	8,575	27,379	57,720
Other comprehensive income				
Items that will not be reclassified to income statement:				
Financial assets, at fair value through other comprehensive income (FVOCI)				
- Fair value changes during the period	891	-	(891)	-
Items that may be reclassified subsequently to income statement:				
Losses on exchange differences on translation, net of tax	(19,115)	(270)	(15,344)	(11,750)
Gains on remeasuring available-for-sale financial assets, net of tax	-	1,622	-	5,631
Share of other comprehensive income from equity-accounted associates, net of tax	2,875	(21)	3,377	(454)
	(16,240)	1,331	(11,967)	(6,573)
Other comprehensive income for the period, net of tax	(15,349)	1,331	(12,858)	(6,573)
Total comprehensive income for the period	(8,592)	9,906	14,521	51,147
Attributable to:				
Owners of the Company	(1,580)	10,470	20,274	60,335
Non-controlling interests	(7,012)	(564)	(5,753)	(9,188)
	(8,592)	9,906	14,521	51,147

1(b)(i) Statements of financial position

	Group			Company	
	30/9/2018	31/12/2017 (Restated) ⁽¹⁾	01/01/2017 (Restated) ⁽¹⁾	30/9/2018	31/12/2017
	\$000	\$000	\$000	\$000	\$000
ASSETS					
Non-current assets					
Property, plant and equipment	143,340	148,277	162,909	21,316	22,094
Investment properties	1,910,853	1,908,627	1,859,418	722,548	722,400
Intangible assets	–	–	4,704	–	–
Investments in subsidiaries	–	–	–	929,623	968,731
Investments in associates	120,341	114,944	112,619	322	325
Investments in joint ventures	45,203	47,938	45,478	–	–
Deferred tax assets	24,804	29,263	46,162	–	–
Other investments	29,382	30,375	25,069	1,197	1,197
Total non-current assets	2,273,923	2,279,424	2,256,359	1,675,006	1,714,747
Current assets					
Inventories	26,011	27,163	31,146	–	–
Income tax receivables	669	346	352	–	–
Trade and other receivables	130,917	90,938	230,958	2,361	2,640
Prepayments	8,683	8,929	8,131	769	867
Properties held for sale	551,445	557,247	656,661	–	–
Bank balances and deposits	275,847	384,711	623,976	114,937	117,919
Total current assets	993,572	1,069,334	1,551,224	118,067	121,426
Total assets	3,267,495	3,348,758	3,807,583	1,793,073	1,836,173
EQUITY AND LIABILITIES					
Equity					
Share capital	745,717 ⁽²⁾	745,717 ⁽²⁾	745,625 ⁽²⁾	808,030	808,030
Retained earnings	1,161,524	1,158,499	1,138,060	806,660	785,789
Other reserves	(5,353)	(2,782)	1,319	(33)	(33)
Equity attributable to owners of the company	1,901,888	1,901,434	1,885,004	1,614,657	1,593,786
Non-controlling interests	286,412	306,136	311,885	–	–
Total equity	2,188,300	2,207,570	2,196,889	1,614,657	1,593,786
Non-current liabilities					
Provisions	42,374	46,779	70,204	–	–
Deferred tax liabilities	53,587	56,986	75,188	–	–
Trade and other payables	573	3,616	4,300	–	–
Borrowings	741,123	746,109	896,720	150,000	150,000
Total non-current liabilities	837,657	853,490	1,046,412	150,000	150,000
Current liabilities					
Provisions	8,940	12,967	17,005	–	–
Income tax payable	35,310	43,079	31,679	4,736	4,635
Trade and other payables	126,959	146,740	220,870	23,680	84,052
Borrowings	70,329	84,912	294,728	–	3,700
Total current liabilities	241,538	287,698	564,282	28,416	92,387
Total liabilities	1,079,195	1,141,188	1,610,694	178,416	242,387
Total equity and liabilities	3,267,495	3,348,758	3,807,583	1,793,073	1,836,173

⁽²⁾ This excludes 21,712,000 stock units held by a subsidiary.

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

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

As at 30/9/2018		As at 31/12/2017	
\$000	\$000	\$000	\$000
Secured	Unsecured	Secured	Unsecured
64,972	5,357	72,619	12,293

- (b) Amount repayable after one year

As at 30/9/2018		As at 31/12/2017	
\$000	\$000	\$000	\$000
Secured	Unsecured	Secured	Unsecured
591,123	150,000	596,109	150,000

- (c) Details of any collaterals

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

1(c) Statement of cash flows

	Group			
	3 months ended		9 months ended	
	30/9/2018	30/9/2017 (Restated) ⁽¹⁾	30/9/2018	30/9/2017 (Restated) ⁽¹⁾
	\$000	\$000	\$000	\$000
Cash flows from operating activities				
Profit before tax	9,214	11,265	34,720	67,903
Amortisation of intangible assets	–	522	–	1,472
Depreciation of property, plant and equipment	3,426	4,029	10,459	12,320
Dividend income from other investments	(1,202)	(553)	(1,754)	(1,410)
Finance costs	5,792	4,123	16,969	15,811
(Gain)/loss on disposal of property, plant and equipment	(31)	9	(40)	31
Impairment loss on intangible assets	–	–	–	73
Impairment loss on investment in associate	–	–	337	–
Interest income	(1,006)	(642)	(3,150)	(2,263)
Inventories (written-back)/ written-down	(142)	(65)	(16)	53
Properties held for sale written-down	–	711	–	9,613
Property, plant and equipment written-off	1	73	84	128
Share of (profit)/loss from equity-accounted associates and joint ventures	(536)	785	(2,898)	(1,447)
Surplus on revaluation of investment properties	–	–	–	(45,400)
Unrealised foreign exchange loss	2,803	606	1,695	3,623
Operating cash flows before changes in working capital	18,319	20,863	56,406	60,507
Decrease in trade and other payables and provisions	(4,398)	(28,915)	(33,431)	(53,732)
(Increase)/decrease in properties held for sale	(10,697)	42,778	(7,403)	63,245
(Increase)/decrease in trade and other receivables	(51,279)	11,975	(44,587)	129,686
(Increase)/decrease in inventories	(572)	(2,288)	1,167	(401)
Cash flows (used in)/from operations	(48,627)	44,413	(27,848)	199,305
Income taxes paid	(5,528)	(3,032)	(14,561)	(9,511)
Interest paid	(3,410)	(712)	(14,832)	(15,899)
Interest received	980	646	3,082	2,919
Net cash flows (used in)/from operating activities	(56,585)	41,315	(54,159)	176,814
Cash flows from investing activities				
Acquisition of intangible assets	–	(445)	–	(1,498)
Acquisition of interests in an associate	–	–	–	(331)
Distribution from dissolution of other investments	–	–	102	–
Dividends received from associates	751	–	858	1,254
Dividends received from joint ventures	2,104	–	2,104	–
Dividends received from other investments	1,202	553	1,754	1,410
(Increase)/decrease in amounts due from associates and joint ventures	(644)	(3)	(490)	144
Proceeds from disposal of property, plant and equipment	97	4	376	74
Proceeds from settlement of outstanding consideration	–	–	4,584	–
Purchase of property, plant and equipment	(2,647)	(2,923)	(8,628)	(8,642)
Subsequent expenditure on investment properties	(1,387)	(271)	(2,289)	(4,058)
Net cash flows used in investing activities	(524)	(3,085)	(1,629)	(11,647)

1(c) Statement of cash flows (continued)

	Group			
	3 months ended		9 months ended	
	30/9/2018	30/9/2017 (Restated) ⁽¹⁾	30/9/2018	30/9/2017 (Restated) ⁽¹⁾
	\$000	\$000	\$000	\$000
Cash flows from financing activities				
Acquisition of non-controlling interests	–	–	(9,003)	–
Cash distribution paid to non-controlling interests of subsidiaries	–	–	–	(206)
Decrease in short-term loans	(209)	(4,579)	(3,694)	(13,600)
Decrease in trust receipts and bills payable	(1,144)	(2,342)	(3,236)	(3,195)
Distribution to shareholders from liquidation of a joint venture	–	–	22	–
Dividends paid	–	–	(24,698)	(73,961)
Dividends paid to non-controlling interests of subsidiaries	(132)	(139)	(132)	(139)
Proceeds from issuance of shares upon exercise of share options	–	–	–	76
Proceeds from long-term loans	–	1,347	275	187,103
Repayment of medium term notes	–	–	–	(246,773)
Repayment of long-term loans	(4,500)	(202)	(11,400)	(277,888)
Net cash flows used in financing activities	(5,985)	(5,915)	(51,866)	(428,583)
Net (decrease)/increase in cash and cash equivalents	(63,094)	32,315	(107,654)	(263,416)
Cash and cash equivalents, beginning balance	340,854	327,043	384,711	623,976
Effect of exchange rate changes on cash and cash equivalents	(1,913)	(25)	(1,210)	(1,227)
Cash and cash equivalents, ending balance	275,847	359,333	275,847	359,333
Cash and cash equivalents comprise:				
Bank balances and deposits	275,847	367,236	275,847	367,236
Bank overdrafts	–	(7,903)	–	(7,903)
Cash and cash equivalents	275,847	359,333	275,847	359,333

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

GROUP

	Attributable to owners of the Company						
	Total equity \$000	Equity attributable to owners of the Company \$000	Share capital \$000	Treasury shares \$000	Retained earnings \$000	Other reserves \$000	Non-controlling interests \$000
Opening balance at 1/1/2018, as previously reported	2,207,570	1,901,434	808,030	(62,313)	1,190,312	(34,595)	306,136
Effect of adopting SFRS(I)	-	-	-	-	(31,813)	31,813	-
Opening balance at 1/1/2018, restated	2,207,570	1,901,434	808,030	(62,313)	1,158,499	(2,782)	306,136
Profit for the period	20,622	20,008	-	-	20,008	-	614
Gains on exchange differences on translation, net of tax	3,771	3,126	-	-	-	3,126	645
Financial assets, at FVOCI - Fair value changes arising during the period	(1,782)	(1,782)	-	-	-	(1,782)	-
Share of other comprehensive income from equity-accounted associate, net of tax	502	502	-	-	-	502	-
Other comprehensive income for the period	2,491	1,846	-	-	-	1,846	645
Total comprehensive income for the period	23,113	21,854	-	-	20,008	1,846	1,259
Contributions by and distributions to owners							
Dividends paid	(24,698)	(24,698)	-	-	(24,698)	-	-
Total contributions by and distributions to owners	(24,698)	(24,698)	-	-	(24,698)	-	-
Changes in ownership interests in subsidiaries							
Acquisition of non-controlling interests without a change in control	(9,003)	4,851	-	-	-	4,851	(13,854)
Total Changes in ownership interests in subsidiaries	(9,003)	4,851	-	-	-	4,851	(13,854)
Total transaction with owners in their capacity as owners	(33,701)	(19,847)	-	-	(24,698)	4,851	(13,854)
Others							
Share of share option reserve from equity-accounted associates	42	42	-	-	-	42	-
Transfer of reserve upon dissolution of other investments	-	(15)	-	-	32	(47)	15
Total others	42	27	-	-	32	(5)	15
Closing balance at 30/6/2018	2,197,024	1,903,468	808,030	(62,313)	1,153,841	3,910	293,556
Profit/(loss) for the period	6,757	7,683	-	-	7,683	-	(926)
Losses on exchange differences on translation, net of tax	(19,115)	(13,029)	-	-	-	(13,029)	(6,086)
Financial assets, at FVOCI - Fair value changes arising during the period	891	891	-	-	-	891	-
Share of other comprehensive income from equity-accounted associate, net of tax	2,875	2,875	-	-	-	2,875	-
Other comprehensive income for the period	(15,349)	(9,263)	-	-	-	(9,263)	(6,086)
Total comprehensive income for the period	(8,592)	(1,580)	-	-	7,683	(9,263)	(7,012)
Contributions by and distributions to owners							
Dividends paid to non-controlling interest	(132)	-	-	-	-	-	(132)
Total contributions by and distributions to owners	(132)	-	-	-	-	-	(132)
Total transaction with owners in their capacity as owners	(132)	-	-	-	-	-	(132)
Closing balance at 30/9/2018	2,188,300	1,901,888	808,030	(62,313)	1,161,524	(5,353)	286,412

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

	Attributable to owners of the Company						
	Total equity	Equity attributable to owners of the Company	Share capital	Treasury shares	Retained earnings	Other reserves	Non-controlling interests
Opening balance at 1/1/2017, as previously reported	2,194,892	1,883,007	807,938	(62,313)	1,167,482	(30,100)	311,885
Effect of adopting SFRS(I)	1,997	1,997	–	–	(29,422)	31,419	–
Opening balance at 1/1/2017, restated	2,196,889	1,885,004	807,938	(62,313)	1,138,060	1,319	311,885
Profit/(loss) for the period	48,749	53,699	–	–	53,699	–	(4,950)
Losses on exchange differences on translation, net of tax	(11,480)	(7,806)	–	–	–	(7,806)	(3,674)
Gains on remeasuring available-for-sale financial assets, net of tax	4,009	4,009	–	–	–	4,009	–
Share of other comprehensive income from equity-accounted associate, net of tax	(433)	(433)	–	–	–	(433)	–
Other comprehensive income for the period	(7,904)	(4,230)	–	–	–	(4,230)	(3,674)
Total comprehensive income for the period	40,845	49,469	–	–	53,699	(4,230)	(8,624)
Contributions by and distributions to owners							
Ordinary shares issued on exercise of share options converted into ordinary stocks	76	76	76	–	–	–	–
Dividends paid	(73,961)	(73,961)	–	–	(73,961)	–	–
Final cash distribution paid to non-controlling interests of a subsidiary	(206)	–	–	–	–	–	(206)
Total transactions with owners in their capacity as owners	(74,091)	(73,885)	76	–	(73,961)	–	(206)
Others							
Share of share option reserve from equity-accounted associates	40	40	–	–	–	40	–
Total others	40	40	–	–	–	40	–
Closing balance at 30/6/2017	2,163,683	1,860,628	808,014	(62,313)	1,117,798	(2,871)	303,055
Profit/(loss) for the period	8,575	9,095	–	–	9,095	–	(520)
Losses on exchange differences on translation, net of tax	(270)	(226)	–	–	–	(226)	(44)
Gains on remeasuring available-for-sale financial assets, net of tax	1,622	1,622	–	–	–	1,622	–
Share of other comprehensive income from equity-accounted associate, net of tax	(21)	(21)	–	–	–	(21)	–
Other comprehensive income for the period	1,331	1,375	–	–	–	1,375	(44)
Total comprehensive income for the period	9,906	10,470	–	–	9,095	1,375	(564)
Contributions by and distributions to owners							
Dividends paid to non-controlling interest	(139)	–	–	–	–	–	(139)
Total transactions with owner in their capacity as owner	(139)	–	–	–	–	–	(139)
Closing balance at 30/9/2017	2,173,450	1,871,098	808,014	(62,313)	1,126,893	(1,496)	302,352

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

COMPANY

	Total equity	Share capital	Retained earnings	Other reserves
	\$000	\$000	\$000	\$000
Opening balance at 1/1/2018	1,593,786	808,030	785,789	(33)
Profit for the period	37,794	–	37,794	–
Total comprehensive income for the period	37,794	–	37,794	–
Contributions by and distributions to owners				
Dividends paid	(25,566)	–	(25,566)	–
Total transactions with owners in their capacity as owners	(25,566)	–	(25,566)	–
Closing balance at 30/6/2018	1,606,014	808,030	798,017	(33)
Profit for the period	8,643	–	8,643	–
Total comprehensive income for the period	8,643	–	8,643	–
Closing balance at 30/9/2018	1,614,657	808,030	806,660	(33)
Opening balance at 1/1/2017	1,614,606	807,938	802,687	3,981
Profit for the period	50,393	–	50,393	–
Total comprehensive income for the period	50,393	–	50,393	–
Contributions by and distributions to owners				
Ordinary shares issued on exercise of share options converted into ordinary stocks	76	76	–	–
Dividends paid	(76,567)	–	(76,567)	–
Total transactions with owners in their capacity as owners	(76,491)	76	(76,567)	–
Closing balance at 30/6/2017	1,588,508	808,014	776,513	3,981
Profit for the period	2,422	–	2,422	–
Total comprehensive income for the period	2,422	–	2,422	–
Closing balance at 30/9/2017	1,590,930	808,014	778,935	3,981

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

There was no change in the issued share capital of the Company since 31 December 2017.

As at 30 September 2018, there was no (30 September 2017: 165,721) outstanding share options in respect of unissued stock units under the United Engineers Share Option Scheme 2000.

<u>Share capital</u>	30/9/2018	30/9/2017
Number of issued stock units	637,520,399	637,508,148
Number of issued stock units (excluding subsidiary holdings)	615,808,399	615,796,148
Number of subsidiary holdings	21,712,000	21,712,000
Number of treasury shares	Nil	Nil
Percentage of the aggregate number of treasury shares and the subsidiary holdings held against the total number of shares outstanding	3.41%	3.41%

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

As at 30 September 2018, the Company's issued and paid-up ordinary share capital excluding treasury shares was 637,520,399 ordinary stock units (31 December 2017: 637,520,399).

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

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

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

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

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

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

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

Not applicable.

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

Except as disclosed in Paragraph 5 below regarding the adoption of the Singapore Financial Reporting Standards (International), there were no further changes in accounting policies and methods of computation adopted in the financial statements of the current reporting period as compared to the most recently audited annual financial statements as at 31 December 2017.

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

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

The adoption of SFRS(I), amendments and interpretations did not result in any significant change to the Group's accounting policies or any significant impact on the financial statements of the Group except for the followings:

In adopting SFRS(I), the Group has elected the option to reset its cumulative foreign currency translation differences to zero at the date of transition on 1 January 2017. As a result, cumulative translation losses of \$31.4 million were reclassified from foreign currency translation reserve to set-off against the opening retained earnings as at 1 January 2017. After the date of transition, any gain or loss on disposal of any foreign operations will exclude translation differences that arose before 1 January 2017. In 2017, the Group has liquidated certain foreign subsidiaries. Consequently, the gains or losses on liquidation of these foreign subsidiaries were also restated.

SFRS(I) 15

SFRS(I) 15 establishes a five-step model to account for revenue arising from contracts with customers, and introduces new contract cost guidance. Under SFRS(I) 15, 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 Group has applied the changes in accounting policies, using the full retrospective approach.

SFRS(I) 9

SFRS(I) 9 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 characteristic and the business model under which they are held. The impairment requirement in SFRS(I) 9 is based on an expected credit loss model and replace the FRS 39 incurred loss model. The Group applies the simplified approach and records lifetime expected losses on all trade and other receivables. The adoption of the expected credit loss model did not result in any significant impact on the financial statement.

The Group has adopted the new standard on 1 January 2018 without restating prior periods' information and recognised any differences between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings. The Group has accounted its available-for-sale equity securities at fair value through other comprehensive income, with gain and loss remaining in other comprehensive income, upon derecognition.

Impact on the comparatives for the Q3 2018 and 9 months 2018 Financial Statement:

The effects on the comparatives arising from the adoption of SFRS(I)s, subject to year-end audit are as follows:

Income statement

Group	3 months ended 30/9/2017 \$000	9 months ended 30/9/2017 \$000
Decrease in revenue	(24,733)	(17,167)
Decrease in cost of sales	22,189	15,249
Decrease in other income	–	(119)
Decrease in distribution costs	1,042	1,042
Decrease in profit for the period	(1,502)	(995)
Decrease in earnings per stock (basic)	(0.3)¢	(0.2)¢
Decrease in earnings per stock (diluted)	(0.3)¢	(0.2)¢

Statement of financial position

Group	31/12/2017 \$000	01/01/2017 \$000
Increase in properties held for sale	–	2,346
Decrease in retained earnings	(31,813)	(29,422)
Increase in other reserves	31,813	31,419
Increase in trade and other payables	–	349

6 Earnings per stock unit (cents)

	3 months ended		9 months ended	
	30/9/2018	30/9/2017 (Restated) ⁽¹⁾	30/9/2018	30/9/2017 (Restated) ⁽¹⁾
(a) Basic*:	1.2	1.4	4.3	9.9
(b) Diluted**:	1.2	1.4	4.3	9.9
(c) Weighted average number of stock units used in the computation of basic earnings per stock unit	637,520,399	637,508,148	637,520,399	637,508,148
(d) Weighted average number of stock units used in the computation of diluted earnings per stock unit	<u>637,520,399</u>	<u>637,514,196</u>	<u>637,520,399</u>	<u>637,514,296</u>

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

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

7 Net asset value per stock unit

	Group		Company	
	30/9/2018	31/12/2017 (Restated) ⁽¹⁾	30/9/2018	31/12/2017
Net asset per ordinary stock unit based on the total number of issued shares	<u>\$3.09⁽³⁾</u>	<u>\$3.09⁽³⁾</u>	<u>\$2.53</u>	<u>\$2.50</u>

⁽³⁾ Based on total number of issued stock units excluding the number of stock units held by a subsidiary.

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

Overview

Q3 2018 compared with Q3 2017

Revenue decreased 31% to \$81.5 million in Q3 2018 from \$118.2 million in Q3 2017. This was mainly due to lower revenue from property development and the absence of contribution from the liquefied petroleum gas (LPG) business which was divested towards the end of 2017. As a result, gross profit decreased 13% to \$40.4 million in Q3 2018.

Interest income increased 57% to \$1.0 million in Q3 2018 from \$0.6 million in Q3 2017 mainly due to higher interest income from fixed deposits.

Other income decreased 15% to \$2.8 million in Q3 2018 from \$3.3 million in Q3 2017. Other income was higher in Q3 2017 mainly due to the reversal of write-down of properties held for sale.

Distribution costs decreased 32% to \$5.3 million in Q3 2018 from \$7.8 million in Q3 2017 mainly due to the absence of expenses from the divested LPG business.

Finance costs increase 40% to \$5.8 million in Q3 2018 from \$4.1 million in Q3 2017 mainly due to higher interest rates and lower capitalisation of borrowing costs in China in Q3 2018.

Other expenses increased 36% to \$1.9 million in Q3 2018 from \$1.4 million in Q3 2017 mainly due to higher foreign exchange losses in Q3 2018.

In Q3 2018, the Group recorded share of profit from equity-accounted associates and joint ventures of \$0.5 million compared to share of loss of \$0.8 million in Q3 2017. Share of loss in Q3 2017 was mainly due to lower contribution from an associated company in Singapore arising from revaluation deficit from its investment property.

9 months 2018 (9M 2018) compared with 9 months 2017 (9M 2017)

Revenue decreased 19% to \$282.9 million in 9M 2018 from \$349.1 million in 9M 2017. This was mainly due to lower revenue from property development and the absence of contribution from the divested LPG business. As a result, gross profit decreased 7% to \$129.6 million in 9M 2018.

Interest income increased 39% to \$3.2 million in 9M 2018 from \$2.3 million in 9M 2017 mainly due to higher interest income from fixed deposits.

Other income decreased 90% to \$4.8 million in 9M 2018 from \$50.2 million in 9M 2017 mainly due to the absence of fair value gains of \$45.4 million recorded in 9M 2017 from the revaluation of the Group's investment properties.

Distribution costs decreased 23% to \$17.4 million in 9M 2018 from \$22.5 million in 9M 2017 mainly due to the absence of expenses from the divested LPG business.

Other expenses decreased 73% to \$3.4 million in 9M 2018 from \$12.5 million in 9M 2017 mainly due to the absence of impairment loss of \$9.6 million recorded in 9M 2017 in relation to *Shenyang Orchard Summer Palace* project.

Share of profit from equity-accounted associates and joint ventures increased 100% to \$2.9 million in 9M 2018 from \$1.4 million in 9M 2017 mainly due to higher contribution from an associated company in Singapore.

Income tax expense decreased 28% to \$7.3 million in 9M 2018 from \$10.2 million in 9M 2017. Excluding the revaluation gains on the investment properties, the effective tax rate in 9M 2017 was higher mainly due to higher losses incurred by certain overseas subsidiaries which were not available for group relief.

The Group's attributable profit decreased 16% to \$7.7 million in Q3 2018 from \$9.1 million in Q3 2017. For 9M 2018, attributable profit decreased 56% to \$27.7 million in 9M 2018 from \$63.2 million in 9M 2017. Excluding the revaluation gains on investment properties of \$45.4 million and impairment loss on properties held for sale of \$9.6 million recorded in 9M 2017, the attributable profit in 9M 2018 increased 14% to \$27.7 million in 9M 2018 from \$24.3 million in 9M 2017.

Financial position review

Current trade and other receivables increased by approximately \$40 million mainly due to the initial deposit on the land acquisition cost and stamp duty incurred for the Dairy Farm Road project. The amount will be classified as properties held for sale upon the completion of the land acquisition.

Current trade and other payables decreased by approximately \$20 million mainly due to the decline in accruals and advances received from buyers of overseas projects following revenue recognition upon project completion.

Cash flow review

As at 30 September 2018, the Group had cash and cash equivalents of \$276 million. In Q1 2018, the Group received the remaining proceeds of \$4.6 million from the disposal of a business unit and liquidation of a subsidiary. In Q3 2018, as part of its operation, the Group incurred approximately \$51 million for stamp duty and partial payment for the acquisition of the land parcel at Dairy Farm Road. Separately, the Group utilised \$25 million for dividend payments and \$9 million for acquisition of additional shareholding in a subsidiary. Apart from this, the Group's components of cash flow and changes in these components from 31 December 2017 to 30 September 2018 were mainly due to the Group's ongoing operations.

Operation review

Property Rental & Hospitality

Revenue decreased 3% to \$31.8 million in Q3 2018 from \$32.7 million in Q3 2017 and 4% to \$94.2 million in 9M 2018 from \$98.3 million in 9M 2017. Operating profit before interest increased marginally to \$16.3 million in Q3 2018 from \$16.2 million in Q3 2017. Operating profit before interest decreased 48% to \$48.2 million in 9M 2018 from \$93.1 million in 9M 2017 mainly due to the absence of fair value gains of \$45.4 million recorded in 9M 2017 from the revaluation of the Group's investment properties.

Property Development

Revenue decreased 92% to \$2.5 million in Q3 2018 from \$30.3 million in Q3 2017 and 61% to \$25.0 million in 9M 2018 from \$64.7 million in 9M 2017 mainly due to the absence of revenue contribution from the property sales at *Eight Riversuites* in 2018 and lower revenue from the property sales at *Chengdu Orchard Villas* and *Shenyang Orchard Summer Palace*. Operating loss before interest was \$2.1 million in Q3 2018 compared with operating profit of \$2.1 million in Q3 2017. Operating loss before interest decreased 77% to \$2.6 million in 9M 2018 from \$11.1 million in 9M 2017 mainly due to the absence of impairment loss on *Shenyang Orchard Summer Palace* project recorded in 9M 2017.

Engineering & Distribution

Revenue decreased 17% to \$24.4 million in Q3 2018 from \$29.4 million in Q3 2017 and 17% to \$76.8 million in 9M 2018 from \$92.3 million in 9M 2017 mainly due to lower revenue from the distribution businesses which was partially mitigated by higher revenue from the system integration business. Operating profit before interest increased to \$2.0 million in Q3 2018 from \$0.1 million in Q3 2017 and 143% to \$5.6 million in 9M 2018 from \$2.3 million in 9M 2017 mainly due to higher contribution from the distribution business and project completion with higher profit contribution from the system integration business.

Manufacturing

Revenue decreased 18% to \$16.3 million in Q3 2018 from \$19.9 million in Q3 2017 and 14% to \$53.8 million in 9M 2018 from \$62.2 million in 9M 2017. Operating loss before interest was \$0.01 million in Q3 2018 compared with operating profit of \$0.9 million in Q3 2017. Operating profit before interest decreased 65% to \$1.1 million in 9M 2018 from \$3.1 million in 9M 2017. The decline in revenue and operating profit was mainly due to certain existing precision engineering manufacturing programs reaching their end-of-life, whereas new programs have yet to reach mass production volumes.

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

The Company did not make any forecast statement previously. The Group's Q3 2018 results are in line with the statement made in paragraph 10 of the Company's Q2 2018 results announcement on 13 August 2018.

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

US-China trade tensions may weigh on the global economic growth prospects and may impact on manufacturing services in China. The latest round of residential property cooling measures announced by the Singapore Government in July 2018 as well as the revised URA guidelines in October 2018 to increase the average unit size of private non-landed homes outside central area may affect the overall demand of residential property market. However, the office rental market in Singapore may continue to see steady recovery. In September 2018, the Group successfully tendered for the land parcel for residential (with commercial at 1st storey) development at Dairy Farm Road and will expedite the launch of the project for sale. The Group is also embarking on asset enhancement initiatives for its investment properties in Singapore. In China, property cooling measures have brought about a relative slowdown in activity in certain cities, but the demand for good quality housing remains and the property market may continue to see sustainable growth in the longer term.

- 11 Dividend

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

None.

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

None.

- (c) Date Payable

Not applicable.

- (d) Books closure date

Not applicable.

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

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

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

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

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

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

BY ORDER OF THE BOARD

Gn Jong Yuh Gwendolyn

Secretary

14 November 2018

Confirmation by the Board

We, Zhong Sheng Jian and Roy Tan Chee Keong, being two directors of United Engineers Limited (the "Company"), do hereby confirm on behalf of the directors of the Company that, to the best of their knowledge, nothing has come to the attention of the board of directors of the Company which may render the Q3 2018 and 9M 2018 financial results to be false or misleading in any material aspect.

On behalf of the Board,

.....
Zhong Sheng Jian
Executive Chairman

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