



United Industrial Corporation Limited

ANNUAL REPORT 2017





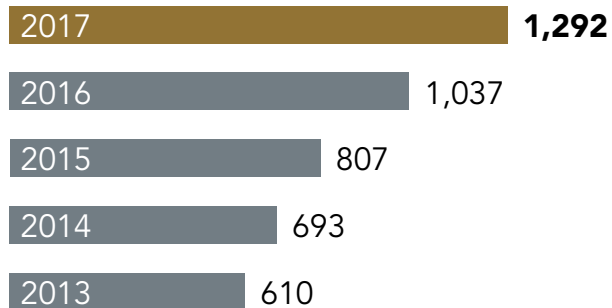
CONTENTS

1	Group Financial Highlights
2	Chairman's Statement
4	Board of Directors
11	Management Review
28	Property Summary
30	Corporate Governance Report
47	Sustainability
49	Corporate Information
50	Financial Report
134	Five Year Summary
136	Statistics of Shareholdings
138	Notice of Annual General Meeting
	Proxy Form

GROUP FINANCIAL HIGHLIGHTS

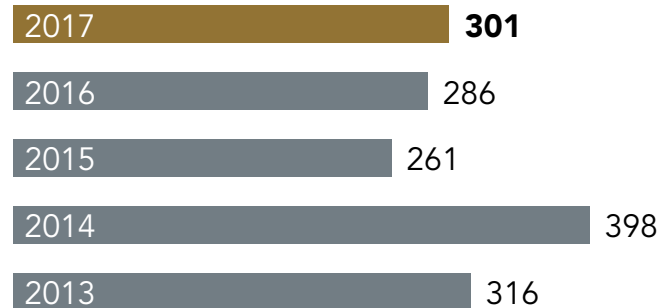
REVENUE

(\$'million)



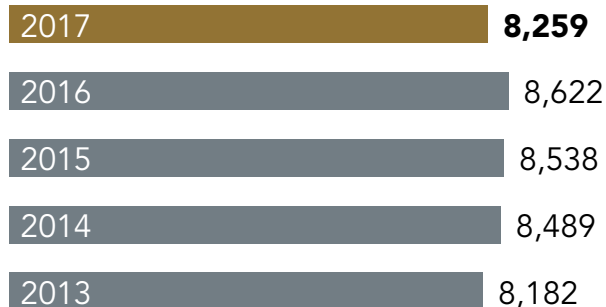
ATTRIBUTABLE PROFIT

(\$'million)



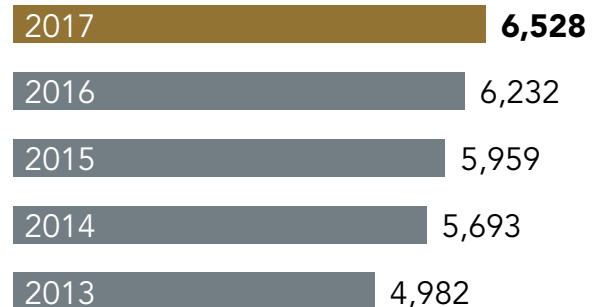
TOTAL ASSETS

(\$'million)



SHAREHOLDERS' EQUITY

(\$'million)



(\$'million)

	2013	2014	2015	2016	2017
Revenue	610	693	807	1,037	1,292
Net profit from operations	167	223	236	249	306
Net fair value gain/(loss) on investment properties	149	175	24	37	(5)
Attributable profit	316	398	261	286	301
Total assets	8,182	8,489	8,538	8,622	8,259
Shareholders' equity	4,982	5,693	5,959	6,232	6,528

CHAIRMAN'S STATEMENT



“For the financial year ended 31 December 2017, the Group’s total revenue grew 25% year-on-year to \$1.3 billion.”

Dear Shareholders,

I am pleased to present UIC’s annual report for financial year 2017.

2017 Review

Emerging from a slow growth in the past two years, the Singapore economy grew by 3.6% in 2017 compared to 2% in the preceding year. This was aided by stronger recovery in global demand as the United States, Europe, China and ASEAN turned in robust growth for the year. Commercial rental and residential sales markets experienced an uneven recovery. Nevertheless, capital inflows into Singapore were strong. With improvement in sentiments, private property prices rebounded in 2017 after three years

of correction. Against this backdrop, the Group performed well to achieve steady growth.

The Group demonstrated resilience against the changing market conditions with our strong portfolio of good office and retail assets and well executed residential projects.

Performance Review and Dividend

For the financial year ended 31 December 2017, the Group’s total revenue grew 25% year-on-year to \$1.3 billion due to several contributing factors – higher sales activity of residential properties, higher room occupancies from hotel operations, and increased revenue

TOTAL ASSETS

\$ **8.26** bil

TOTAL EQUITY

\$ **7.34** bil

contributions from both local and overseas joint venture projects.

Through active leasing of our office space, the Group’s office buildings maintained a healthy overall occupancy rate of 94% and registered a rental income of \$187.1 million.

Sales of residential properties increased by 47% to \$760.3 million, with higher sales particularly from the Alex Residences and Pollen & Bleu residential projects.

Revenue from hotel operations increased by 2% to \$149.1 million whilst gross rental income from investment properties dipped 2% to \$270.8 million.

Net profit from operations increased by 23% to \$306.0 million. After including the fair value loss of \$4.5 million, the Group recorded a net attributable profit of \$301.5 million for the year – an increase of 5%.

The Board is recommending a first and final tax exempt (one-tier) dividend of 3.0 cents (2016: 3.0 cents) for the financial year ended 31 December 2017. The final payout will amount to \$43.0 million.

Singapore

Overall, the Group performed well in Singapore in all three sectors, namely, office leasing, residential sales and hotel operations.

Sales for residential units in Singapore had performed well including our newest project, The Clement Canopy, developed jointly with UOL Venture Investments Pte Ltd on a 50:50 joint venture basis. Launched in February 2017, The Clement Canopy is a 40-storey condominium project near the National University of Singapore, One-North and Holland Village. The Group plans to launch a new development at Potong Pasir Avenue 1 near Potong Pasir MRT. This site was acquired with UOL on a 50:50 joint venture basis.

The office market turned around towards the third quarter of the year after eight quarters of decline. The supply/demand of office space will move to a higher equilibrium.

The Group's existing office properties continued to perform well, and achieved healthy overall occupancy of 94% amidst competitive pressure from new supply.

The new UIC office building of approximately 26,000 sq metres net lettable area at 5 Shenton Way, received its Temporary Occupation Permit in April 2017 and achieved

91% of committed occupancy as at end 2017.

The Group will continue to monitor the office market closely, adapt to changing environment and explore opportunities for growth.

Overseas

In China, the Group's performance was good with improved residential sales notwithstanding property supply and regulatory issues. UIC has a 30% stake in the Shanghai Chang Feng residential project due to be completed in 2018. Sales response to this project for the initial 146 units has been very encouraging. All residential units in The Excellency in Chengdu, a mixed development project, have been sold with only a handful of commercial units remaining.

UIC has a 50% share of Holborn Island at 120 Holborn, United Kingdom, a mixed-use freehold development strategically located in Farringdon, London. Holborn Island continues to generate returns for the Group.

Outlook for 2018 and Acknowledgements

Singapore's Ministry of Trade and Industry expects global growth to pick up marginally in 2018 on the back of stronger growth in the United States, some emerging markets and developing economies. But growth is projected to ease in 2018 in several of Singapore's key external demand markets such as China and the Eurozone. Considering the global and domestic economic environments, the Singapore economy is expected to grow by 1.5% to 3.5% in 2018.

Given this uncertain economic landscape and in anticipation of a challenging environment, the Group will stay focused on strategy execution. We will be highly adaptive and responsive to changing trends and developments.

With our portfolio of income-producing assets, the Group is well-placed for sustainable growth in these challenging times. As always, we will be mindful of the risks as we pursue new opportunities.

On behalf of the Board and the Company, I would like to thank Dr John Gokongwei, Jr., who will be retiring at this year's annual general meeting, for his dedicated and invaluable service to UIC during his 19 years as Deputy Chairman of the Board.

The Board also welcomes our new Independent Directors, Mr Francis Lee Seng Wee and Mr Chng Hwee Hong, who joined on 12 March 2018 and 23 March 2018 respectively, and looks forward to working closely with them.

Finally, I would like to express my gratitude to my fellow Directors for their guidance and wise counsel. On behalf of the Board and the Company, I also thank our management and staff at UIC for their dedication and hard work and our shareholders, business partners, customers and tenants for their continuing support.

WEE CHO YAW
CHAIRMAN

March 2018

BOARD OF DIRECTORS



DR WEE CHO YAW

Chairman

Non-Executive and Non-Independent

Dr Wee Cho Yaw first appointed on 26 June 1992, was last re-elected as Director on 28 April 2017.

A banker with more than 60 years' experience, Dr Wee is a veteran in the banking, insurance, real estate and hospitality industries. He received many accolades for his business achievements and support of education, community welfare and the business community. Among the awards conferred on him are the Distinguished Service Order, Singapore's highest National Day Award, ASEAN Business Advisory Council Legacy Award for Singapore and Honorary Degrees of Doctor of Letters from the National University of Singapore and Nanyang Technological University.

UIC Board Committee(s)

- Remuneration Committee (Member)
- Nominating Committee (Member)

Present Directorship(s) and Other Principal Commitment(s)

- United Overseas Bank Limited* (Chairman Emeritus and Adviser)
- United Overseas Insurance Limited* (Chairman)
- UOL Group Limited* (Chairman)
- Haw Par Corporation Limited* (Chairman)
- Pan Pacific Hotels Group Limited (Chairman)
- Marina Centre Holdings Private Limited (Chairman)
- Nanyang Technological University (Pro-Chancellor)
- Wee Foundation (Chairman)
- Singapore Federation of Chinese Clan Associations (Honorary President)
- Singapore Hokkien Huay Kuan (Honorary President)
- Singapore Chinese Chamber of Commerce and Industry (Honorary President)
- Chung Cheng High School (Chairman)

*Listed companies

Past Directorship(s) in Listed Companies held over the preceding three years

- Nil

Professional Qualification(s) and Achievement(s)

- Chinese High School education
- Honorary Doctor of Letters, National University of Singapore (2008)
- Honorary Doctor of Letters, Nanyang Technological University (2014)
- The Legacy Award for Singapore, ASEAN Business Advisory Council (2017)
- The Distinguished Service Order, Singapore (2011)
- The Asian Banker Lifetime Achievement Award (2009)
- Credit Suisse-Ernst & Young Lifetime Achievement Award (2006)
- Businessman of the Year, Singapore Business Awards (2001 and 1990)



DR JOHN GOKONGWEI, JR.
Deputy Chairman
Non-Executive and Non-Independent

Dr John Gokongwei, Jr. first appointed on 27 July 1999, was last re-elected as Director on 22 April 2016. He has been the Deputy Chairman of UIC since 1999.

UIC Board Committee(s)

- Nil

Present Directorship(s) and Other Principal Commitment(s)

- JG Summit Holdings, Inc.* (Chairman Emeritus)
- Universal Robina Corporation* (Chairman Emeritus)
- Robinsons Land Corporation* (Chairman Emeritus)
- JG Summit Petrochemical Corporation (Chairman Emeritus)
- Cebu Air Inc.* (Director)
- Robinsons Retail Holdings, Inc.* (Director)
- Oriental Petroleum and Minerals Corporation* (Director)
- Manila Electric Company* (Director)
- A.Soriano Corporation* (Director)
- Marina Centre Holdings Private Limited (Director)
- Gokongwei Brothers Foundation, Inc. (Chairman)

**Listed companies*

Past Directorship(s) in Listed Companies held over the preceding three years

- Nil

Professional Qualification(s) and Achievement(s)

- Master in Business Administration, De La Salle University, Philippines
- Advanced Management Programme, Harvard University, Boston, Massachusetts, USA



LIM HOCK SAN
President and CEO
Executive and Non-Independent

Mr Lim Hock San first appointed on 1 April 1992, was last re-elected as Director on 28 April 2017. Mr Lim is a Justice of the Peace, and has received the Public Administration Medal (Gold), Public Service Medal and The Meritorious Service Medal from the Singapore Government in 1982, 2001 and 2006 respectively.

UIC Board Committee(s)

- Nil

Present Directorship(s) and Other Principal Commitment(s)

- Gallant Venture Ltd (Bintan)* (Director)
- Indofood Agri Resources Ltd.* (Director)
- Interra Resources Limited* (Director)

**Listed companies*

Past Directorship(s) in Listed Companies held over the preceding three years

- Nil

Professional Qualification(s) and Achievement(s)

- Bachelor of Accountancy, University of Singapore
- Master of Science in Management, Massachusetts Institute of Technology
- Fellow of the Chartered Institute of Management Accountants (UK)
- Former President of the Institute of Certified Public Accountants
- Senior Executive Programme, London Business School
- Advanced Management Programme, Harvard Business School
- 50th Anniversary Medal of Honour, International Civil Aviation Organisation (ICAO)
- Friend of Labour; Meritorious Service Awards NTUC
- Former Chairman and Honorary Member, Airports Council International World
- Honorary Fellow, Singapore Institute of Aerospace Engineers

BOARD OF DIRECTORS



JAMES L. GO

Non-Executive and Non-Independent

Mr James L. Go first appointed on 28 May 1999, was last re-elected as Director on 22 April 2016.

UIC Board Committee(s)

- Audit Committee (Member)
- Nominating Committee (Member)
- Remuneration Committee (Member)

Present Directorship(s) and Other Principal Commitment(s)

- JG Summit Holdings, Inc.* (Chairman and Chief Executive Officer)
- Oriental Petroleum and Minerals Corporation* (Chairman and Chief Executive Officer)
- Universal Robina Corporation* (Chairman)
- Robinsons Land Corporation* (Chairman)
- JG Summit Petrochemical Corporation (Chairman)
- JG Summit Olefins Corporation (Chairman)
- Robinsons Retail Holdings, Inc.* (Vice Chairman)
- PLDT Inc.* (Director, Audit Committee Advisor and Technology Strategy Committee member)
- Cebu Air, Inc.* (Director)
- Manila Electric Company* (Director)
- Marina Centre Holdings Private Limited (Director)
- Hotel Marina City Private Limited (Director)
- Gokongwei Brothers Foundation, Inc. (President and Trustee)

**Listed companies*

Past Directorship(s) in Listed Companies held over the preceding three years

- Nil

Professional Qualification(s) and Achievement(s)

- Bachelor of Science, Massachusetts Institute of Technology, USA
- Master of Science in Chemical Engineering, Massachusetts Institute of Technology, USA

GWEE LIAN KHENG

Non-Executive and Non-Independent

Mr Gwee Lian Kheng first appointed on 28 May 1999, was last re-elected as Director on 22 April 2016. He was awarded the Pingat Bakti Masyarakat (PBM) Public Service Medal and the Bintang Bakti Masyarakat (BBM) Public Service Star by the President of Singapore in 1994 and 2002 respectively.

UIC Board Committee(s)

- Nil

Present Directorship(s) and Other Principal Commitment(s)

- UOL Group Limited* (Director and Group Chief Executive)

**Listed company*

Past Directorship(s) in Listed Companies held over the preceding three years

- Nil

Professional Qualification(s) and Achievement(s)

- Bachelor of Accountancy (Honours), University of Singapore
- Fellow of the Chartered Institute of Management Accountants (United Kingdom)
- Fellow of the Association of Chartered Certified Accountants (United Kingdom)
- Fellow of the Institute of Singapore Chartered Accountants
- Asia Pacific Hotelier of the Year award (2003)
- Hotel Legends Hall of Fame Award, 11th Australian New Zealand Pacific Hotel Industry Conference (2011)



HWANG SOO JIN

Non-Executive and Independent

Mr Hwang Soo Jin first appointed on 31 January 2003, was last re-elected as Director on 22 April 2016. He has more than 50 years of business experience.

UIC Board Committee(s)

- Nominating Committee (Chairman)
- Audit Committee (Member)
- Remuneration Committee (Member)

Present Directorship(s) and Other Principal Commitment(s)

- Singapore Reinsurance Corporation Ltd* (Chairman Emeritus)
- United Overseas Insurance Limited* (Director and Chairman of Nominating Committee)
- Haw Par Corporation Ltd* (Director)

**Listed companies*

Past Directorship(s) in Listed Companies held over the preceding three years

- Nil

Professional Qualification(s) and Achievement(s)

- Chartered Insurer and Associate of the Chartered Insurance Institute, UK



YANG SOO SUAN

Non-Executive and Independent

Mr Yang Soo Suan first appointed on 27 April 2012, was last re-elected as Director on 22 April 2016.

An architect by training, Mr Yang has close to 50 years of professional practice experience. He is the former chairman of Architects 61 Pte Ltd and National Fire Prevention Council, former President of the Singapore Institute of Architects and former member of the Housing and Development Board, the Board of Architects and the Appeals Board (Land Acquisition). He was awarded the Bintang Bakti Masyarakat (Public Service Star, Singapore) in 1996.

UIC Board Committee(s)

- Audit Committee (Chairman)
- Nominating Committee (Member)

Present Directorship(s) and Other Principal Commitment(s)

- United Overseas Insurance Limited* (Director and Chairman of Audit Committee)

**Listed company*

Past Directorship(s) in Listed Companies held over the preceding three years

- Nil

Professional Qualification(s) and Achievement(s)

- Bachelor of Architecture (Honours) Melbourne University, Australia
- Life Fellow of the Singapore Institute of Architects
- Fellow Member of the Singapore Society of Project Managers

BOARD OF DIRECTORS



ALVIN YEO KHIRN HAI

Non-Executive and Independent

Mr Alvin Yeo first appointed on 11 September 2002, was last re-elected as Director on 28 April 2017.

Mr Alvin Yeo, a lawyer by profession, was appointed Senior Counsel of the Supreme Court of Singapore in January 2000. He is a former Member of Parliament, having served for two terms from 2006 to 2015.

UIC Board Committee(s)

- Remuneration Committee (Chairman)
- Audit Committee (Member)

Present Directorship(s) and Other Principal Commitment(s)

- Keppel Corporation Limited* (Director)
- United Overseas Bank Limited* (Director)
- WongPartnership LLP (Chairman and Senior Partner)
- Appeals Advisory Panel of the Monetary Authority of Singapore (Member)
- Court of the Singapore International Arbitration Centre (Member)

**Listed companies*

Past Directorship(s) in Listed Companies held over the preceding three years

- Neptune Orient Lines (till June 2016)

Professional Qualification(s) and Achievement(s)

- Bachelor of Laws (Honours), King's College, University of London
- Barrister-at-Law (Gray's Inn)

WEE EE LIM

Non-Executive and Non-Independent

Mr Wee Ee Lim first appointed on 28 May 1999, was last re-elected as Director on 22 April 2016.

UIC Board Committee(s)

- Nil

Present Directorship(s) and Other Principal Commitment(s)

- UOL Group Limited* (Deputy Chairman)
- Haw Par Corporation Limited* (Director, President and Chief Executive Officer)
- Wee Foundation (Director)

**Listed companies*

Past Directorship(s) in Listed Companies held over the preceding three years

- Hua Han Health Industry Holdings Limited (listed on the Hong Kong Stock Exchange) (till July 2015)

Professional Qualification(s) and Achievement(s)

- Bachelor of Arts (Economics), Clark University, USA



LANCE YU GOKONGWEI

Non-Executive and Non-Independent

Mr Lance Yu Gokongwei first appointed on 28 May 1999, was last re-elected as Director on 28 April 2017.

UIC Board Committee(s)

- Nil

Present Directorship(s) and Other Principal Commitment(s)

- Robinsons Retail Holdings, Inc.* (Chairman and Chief Executive Officer)
- Robinsons Bank Corporation (Chairman)
- Robinsons Land Corporation* (Vice Chairman and Chief Executive Officer)
- Manila Electric Company* (Vice Chairman)
- JG Summit Holdings, Inc.* (Director, President and Chief Operating Officer)
- Universal Robina Corporation* (Director, President and Chief Executive Officer)
- Cebu Air, Inc.* (Director, President and Chief Executive Officer)
- Oriental Petroleum and Minerals Corporation* (Director)
- JG Summit Petrochemical Corporation (Chief Executive Officer)
- JG Summit Olefins Corporation (Chief Executive Officer)
- Gokongwei Brothers Foundation, Inc. (Trustee and Secretary)

*Listed companies

Past Directorship(s) in Listed Companies held over the preceding three years

- Nil

Professional Qualification(s) and Achievement(s)

- Bachelor of Science (Applied Science), Pennsylvania Engineering School, USA
- Bachelor of Science (Finance), Wharton School, USA
- Management and Technology Programme, University of Pennsylvania, USA



ANTONIO L. GO

Non-Executive and Independent

Mr Antonio L. Go first appointed on 25 April 2007, was last re-elected as Director on 22 April 2016.

UIC Board Committee(s)

- Nominating Committee (Member)
- Remuneration Committee (Member)

Present Directorship(s) and Other Principal Commitment(s)

- Equitable Computer Services, Inc. (Chairman and President)
- Equicom Savings Bank (Chairman)
- Algo Leasing and Finance Inc. (Chairman)
- Cebu Air, Inc.* (Director)
- Oriental Petroleum and Minerals Corporation* (Director)
- Robinson Retail Holdings, Inc.* (Director)
- Maxicare Healthcare Corporation (Director)
- SteelAsia Manufacturing Corporation (Director)
- Equicom Information Technology (Director)
- Equicom Inc. (Director)
- Equicom Manila Holdings (Director)
- Medilink Network, Inc. (Director)
- Equitable Development Corporation (Director)
- Go Kim Pah Foundation (Trustee)
- Equitable Foundation Inc. (Trustee)

*Listed companies

Past Directorship(s) in Listed Companies held over the preceding three years

- Nil

Professional Qualification(s) and Achievement(s)

- Bachelor of Business Administration, Youngstown University, USA
- International Advanced Management Programme, International Management Institute, Geneva, Switzerland
- ABA National School of Bankcard Management, Northwestern University, USA

BOARD OF DIRECTORS



FRANCIS LEE SENG WEE

Non-Executive and Independent

Mr Francis Lee Seng Wee was recently appointed on 12 March 2018, and will be offering himself up for re-election at the Company's Annual General Meeting on 27 April 2018.

UIC Board Committee(s)

- Nil

Present Directorship(s) and Other Principal Commitment(s)

- DP Architects Pte. Ltd. and DP Group of Companies (Chairman)
- Growth Mindset Pte Ltd (Director)

Past Directorship(s) in Listed Companies held over the preceding three years

- Nil

Professional Qualification(s) and Achievement(s)

- Bachelor of Science in Architecture (Honours), University of Aston, United Kingdom
- Diploma in Architecture, Birmingham Polytechnic, United Kingdom
- Member of the Board of Architects, Singapore

CHNG HWEE HONG

Non-Executive and Independent

Mr Chng Hwee Hong was recently appointed on 23 March 2018, and will be offering himself up for re-election at the Company's Annual General Meeting on 27 April 2018. He was awarded the Pingat Bakti Masyarakat (Public Service Medal) in 2014 from the President of the Republic of Singapore for his involvement in social and charity works.

UIC Board Committee(s)

- Nil

Present Directorship(s) and Other Principal Commitment(s)

- United Overseas Insurance Limited* (Director)
- Singapore Corporation of Rehabilitative Enterprises (Chairman)
- Industrial & Services Co-operative Society Ltd (Chairman of the Board of Trustees)
- National Council Against Drug Abuse (Member)

*Listed company

Past Directorship(s) in Listed Companies held over the preceding three years

- Nil

Professional Qualification(s) and Achievement(s)

- Bachelor of Science (Honours) in Applied Chemistry, University of Singapore
- Diploma in Business Administration, University of Singapore
- Diploma in Management Studies, jointly awarded by University of Chicago and Singapore National Productivity Board
- Stanford-NUS Executive Programme, jointly organised by the Graduate School of Business, Stanford University and the School of Management, National University of Singapore.
- Graduate Certificate in International Arbitration, National University of Singapore
- Fellow, Singapore Institute of Arbitrators

MANAGEMENT REVIEW

SINGAPORE COMMERCIAL OFFICE PROPERTIES

2017 Overview

After eight straight quarters of decline, the office market ended the year on a positive note, driven mainly by improved business sentiments and stronger leasing activity in the CBD Core area. Notwithstanding the recovery, overall office rents are still about 15% to 20% below peak rents achieved two years ago. During the year, the office market also saw unprecedented supply of new office space totaling three million square feet within the CBD Core.



UIC Building and V on Shenton

MANAGEMENT REVIEW

SINGAPORE COMMERCIAL OFFICE PROPERTIES



UIC Building

UIC BUILDING

UIC Building, the new office tower of our landmark development on the site of 5 Shenton Way, obtained its Temporary Occupation Permit ("TOP") in April 2017. Designed by world renowned Dutch architect, Ben van Berkel of UN Studio, the building boasts a unique 3-D hexagonal façade. The building achieved 91% committed occupancy as at the end of the year.



Singapore Land Tower

SINGAPORE LAND TOWER

Singapore Land Tower in Raffles Place continued to perform well during the year under review. Notwithstanding strong competition from newer Grade A buildings within Raffles Place/Marina Bay Financial District, the building achieved an average occupancy of 96% for the year. Rental revenue, however, declined by 4% compared to the preceding year, due to prevailing market rents being lower than expiry rents.

PROPERTY PORTFOLIO



Clifford Centre

CLIFFORD CENTRE

Despite being the oldest building in the Group, Clifford Centre at Raffles Place maintained an average occupancy of 95% during the year under review. Rental revenue, however, declined by 1% compared to the preceding year.

The retail premises, which form 20% of the total lettable area, contributed about 25% of the total rental revenue. To help retail tenants maintain healthy sales revenue, year-end marketing promotions were organised during the festive period.

During the year, various enhancement works were undertaken to upgrade the building. These include the upgrading of lift lobbies as well as installation of turnstile and card access systems to enhance the security within the building.



SGX Centre

SGX CENTRE

The Group owns 36,000 square feet and 240,000 square feet of lettable space in SGX Centre 1 and SGX Centre 2 respectively. Located along Shenton Way, the building performed well during the year under review, maintaining a healthy average occupancy of 98% and improving its rental income by 1%.

The Group also serves as the managing agent for SGX Centre. Continuous efforts were taken to upkeep the building's facilities and maintain them in good and serviceable condition.

MANAGEMENT REVIEW

SINGAPORE COMMERCIAL OFFICE PROPERTIES



The Gateway

THE GATEWAY

The Gateway is located along Beach Road, just outside the Central Business District. Despite 31% of lease expiries during the year and strong competition from new developments within the vicinity, The Gateway achieved committed occupancy of 92% as at the end of 2017. Rental revenue, however, declined by 5% compared to the preceding year.

To serve the tenants better, the replacement of cooling coils in the air-conditioning system and upgrading of toilets were carried out during the year.

PROPERTY PORTFOLIO



ABACUS Plaza and Tampines Plaza

ABACUS PLAZA AND TAMPINES PLAZA

Situated in the Tampines Regional Centre, these twin office towers are within walking distance of the Tampines MRT station and several shopping malls. Both ABACUS Plaza and Tampines Plaza achieved full occupancy for the year under review. Rental revenue also improved by 1% and 6% respectively compared to the previous year.

To improve energy efficiency, the chiller and air-conditioning systems of both buildings were replaced with more efficient water-cooled systems in December 2017.



Stamford Court

STAMFORD COURT

Stamford Court, a neo-classical office cum retail building, is located at the junction of Stamford Road and Hill Street, directly opposite the Singapore Management University.

In the year under review, the building achieved 97% occupancy and improved its rental income by 4%.

MANAGEMENT REVIEW

SINGAPORE COMMERCIAL RETAIL PROPERTIES

MARINA SQUARE SHOPPING MALL

Marina Square shopping mall, with a total net lettable area of 767,000 square feet, is located in the prime Marina Bay precinct. Surrounded by top tier international luxury hotels, the mall has a wide range of retail and dining options catering to locals and tourists alike.

With a mix of luxury lifestyle stores such as Rolex and Tag Heuer, and high street brands like Zara and Massimo Dutti, the mall continues to attract a diverse profile of shoppers.

In 2017, Marina Square welcomed the arrival of additional renowned new tenants such as SOMA - School of Music & the Arts, Dal.komm Coffee, Wandewoo, Island Shop, 4Fingers Crispy Chicken, Nomi Japan and the North Face Flagship store. With the introduction of these tenants alongside the existing international brands, from IT to fashion, the mall strengthened its position as a premier shopping mall within the Marina Bay area.

Marina Square has also recently secured an established co-working space operator as a major tenant at Level 3 (approximately 57,000

square feet). Slated to open in the second half of 2018, this will be the first co-working space within a shopping mall.

Marina Square hosted various advertising and promotional activities throughout the year. In March, the mall held its annual signature balloon event, themed 'Under-the-Sea' which saw the Central Atrium transformed into an aquatic balloon world. Featuring marine creatures, a monstrous-sized octopus and a 16-metre long balloon tunnel sculpted using over 100,000 balloons garnered substantial media coverage and audience.



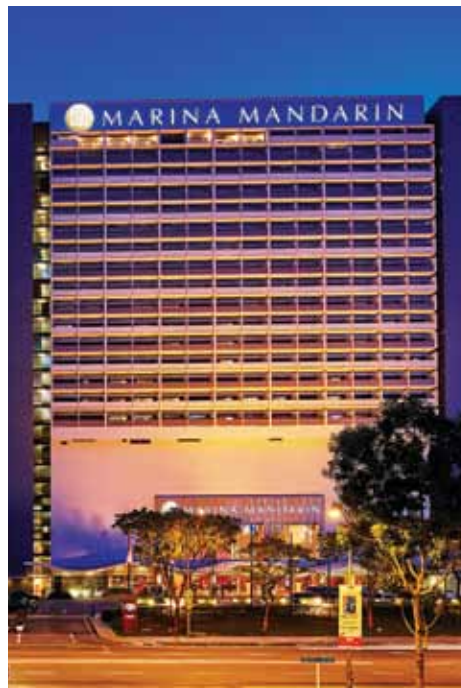
Marina Square Shopping Mall

PROPERTY PORTFOLIO

In conjunction with the Singapore Food Festival in July, the mall launched Foodiegram Sundays where foodie hosts took diners through fun, engaging and insta-worthy Sunday lunches at participating restaurants, and a 'Local Food Trail' for tourists to sample local delights. The year ended with two live shows - Tayo The Little Bus and Pororo & Friends - the two most popular television series from South Korea, taking centre stage during the Christmas Campaign, and the launch of Marina Square's new mobile app with features such as e-deals and car locator.

MARINA SQUARE HOTELS

Nestled in the heart of Marina Bay City, all three hotels namely, Pan Pacific Singapore, Marina Mandarin Singapore and Mandarin Oriental, Singapore, provide guests with convenient access to the Marina Square Shopping Mall. With visitor arrivals exceeding targeted growth in 2017, the performances were stronger than expected across all three hotels. With rising operating costs and a tight labour market, greater emphasis was placed on improving productivity and operational efficiency to maintain profitability.



Marina Square Hotels

MANAGEMENT REVIEW

SINGAPORE COMMERCIAL RETAIL PROPERTIES

NOVENA SQUARE

The Group has a 20% interest in Novena Square, a commercial development located above the Novena MRT Station. For the year 2017, the development enjoyed 100% occupancy for the retail mall, Velocity @ Novena Square ("Velocity"), and 96% occupancy for both office Towers A & B.

Velocity introduced new concepts while retaining the signature events for 2017. Past favorite Urban Attack grew from strength to strength, attracting 20% more participants and regional athletes as compared to the previous year. In September, Velocity forged closer working relationships with tenants by organising fitness bazaars, health and sports workshops for shoppers and other interest groups. For the 2017 Christmas promotion, a bigger than life-sized

snow globe was introduced where shoppers were able to capture their precious moments within the globe and feature them on their Instagram and Facebook.

Velocity continued to push for events that would help to boost shoppers' spending and footfall in the mall. Besides organising events, the mall also worked with partners like Singapore Heritage Board, Health Promotion Board, Public Utilities Board, Singapore Rugby Union as well as Singapore Table Tennis Association to bring in even more interesting events. Velocity worked with Singapore Rugby Union to roll out Rugby Sevens related ground activation events and continued to be a proud partner of Singapore Heritage Board with our sponsorship of venue for two of their events this year.

Velocity remained a preferred venue for race kit collections despite keen competition from other locations. A total of 23 race kit collections took place in the mall in 2017 for major runs such as Spartan Race, Meiji Run, Run Free, Singapore Kindness Run, Dreamworks Run, Trifactor Series, Light of Hope, Race Against Cancer, Mizuno Run and Blacklight Run among others. These race kit collections attract an additional crowd of 5,000 to 10,000 over the weekends.

Velocity continued to strengthen collaboration with True Fitness to provide free workouts for shoppers. Along with a new fitness-initiated partnership with People's Association, Velocity has launched free shopper workouts every Wednesday. This initiative is set to continue into 2018.



Novena Square

PROPERTY PORTFOLIO



West Mall

WEST MALL

West Mall, located adjacent to Bukit Batok MRT, remained a popular retail destination for residents in the Bukit Batok, Jurong East, Hillview and Upper Bukit Timah precincts.

To encourage more shopper traffic to the mall, various events and promotional campaigns were held throughout the year. In keeping with Chinese New Year traditions, shoppers were treated to Lion and Dragon Dances and Cultural Performance to usher in the New Year. For 2017, shoppers joined Bukit Batok SMC Grassroots Adviser, Mr Murali Pillai for a fun-filled afternoon of spinning to catchy tunes of Cha-Cha, Rumba, Tango and Waltz on Valentine's Day.

In celebration of the Nation's birthday and to support community outreach, West Mall was once again selected as the venue for the Great Singapore Workout and a series of fitness activities including KpopX, Zumba and the Mass Trampoline Workout organised in collaboration with the Bukit Batok Community Club. Rounding up the celebration in August was the Band Fiesta, held for the third year running by Band Directors' Association (Singapore). These events attracted a healthy turnout at the mall.

On Children's Day, young fans of the three popular and iconic mascots, Didi & Friends, had a most memorable celebration at West Mall, packing the atrium with songs, dance and exciting activities.

The year ended with the mall's traditional Christmas celebrations which included The Big Piano Christmas Musical Show – a first in Singapore – where shoppers joined performers dancing on a giant keyboard and grooved to the rhythmic beat of SISAY performing Latin and World music with a festive twist.

In the year under review, the mall continued to enjoy almost full occupancy although revenue declined by 6% in view of challenging retail conditions. During the year, the projects for a parking guidance system and two sheltered walkways were initiated to provide seamless connectivity and easy access to the mall.

MANAGEMENT REVIEW

SINGAPORE RESIDENTIAL PROPERTIES

2017 Overview

After four years of price declines, the residential market finally saw an upward trend in prices towards end 2017. Similarly, sales gained momentum with 11,558 units in new project launches sold by developers – a 38% increase in sales compared to 2016.

Correspondingly, bids for land tenders were strong as developers rushed to replenish their land bank. Nevertheless, the Group will continue to source for reasonably-priced sites in good locations.

The Group's current residential developments comprise V on Shenton (former UIC Building), Mon Jervis, and The Clement Canopy which is a joint venture project with UOL Group Limited ("UOL"). Another residential site at Potong Pasir Avenue 1, jointly purchased in October 2016 with UOL, is expected to be launched for sale in 2018.



Artist's Impression of The Clement Canopy

PROPERTY PORTFOLIO



Pollen & Bleu

POLLEN & BLEU

In close proximity to the Singapore Botanic Gardens, Singapore's first UNESCO World Heritage Site, Pollen & Bleu is nestled in the lush greeneries of a private residential enclave in Farrer Drive. It is within walking distance of Farrer Road MRT Station and within one kilometre of Nanyang Primary School. The three blocks of eight-storey development comprising 106 units was completed in November 2016 and Certificate of Statutory Completion was obtained in December 2016. This project is now fully sold.



Alex Residences

ALEX RESIDENCES

The Group successfully sold all 429 units in Alex Residences, a 40-storey condominium with panoramic views of the city's skyline and within walking distance of the Redhill MRT Station. TOP was obtained ahead of schedule on 21 September 2017.

MANAGEMENT REVIEW

SINGAPORE RESIDENTIAL PROPERTIES



V on Shenton



V on Shenton

V ON SHENTON

Strategically located at the confluence of Shenton Way and Marina Bay Financial District, the former UIC Building site at Shenton Way has now been re-developed into a mixed-use development comprising V on Shenton, a 54-storey residential tower and UIC Building, a 23-storey office tower. TOP for the residential tower was obtained in October 2017 and as at end 2017, 85% of the 510 residential units have been sold.

PROPERTY PORTFOLIO



Mon Jervois



Artist's Impression of The Clement Canopy

MON JERVOIS

Mon Jervois is located along Jervois Road, within vicinity of embassies and Good Class Bungalows. This five-storey boutique development of 109 residential units obtained TOP in May 2016 and Certificate of Statutory Completion on 23 November 2016. Strata Title was obtained on 4 January 2017. It is 82% sold as at end 2017.

THE CLEMENT CANOPY

A 50:50 joint venture development with UOL, this 40-storey development consisting of 505 units was launched in the first quarter of 2017. The Clement Canopy is in close proximity to Clementi Town Centre, National University of Singapore, Yale-NUS College and Science Park. When completed, it will be the tallest building in the world using the Prefabricated Prefinished Volumetric Construction method. As at 31 December 2017, the project is 57% completed and 84% of the units have been sold.

SITE AT POTONG PASIR AVENUE 1

The Group purchased this site on a 50:50 joint venture basis with UOL in October 2016. The 201,405 square feet privatised HUDC estate (formerly known as Raintree Gardens) is located near Potong Pasir MRT station. The Group targets to launch the project in the second half of 2018 with an estimated 729 units.

MANAGEMENT REVIEW

OVERSEAS INVESTMENTS

THE EXCELLENCY, CHENGDU

Situated close to the popular Chun Xi Road shopping belt along Dacisi Road, the 7,566 square metres site comprises 468 residential units and 7 retail units. It has a saleable area of approximately 54,000 square metres, inclusive of 3,300 square meters of shopping and commercial space in two 51-storey residential blocks.

The Group has sold all the residential units in the development. As at January 2018, only three retail units and 297 car park lots remain unsold.

PARK ELEVEN, CHANG FENG, SHANGHAI

The Group has a 30% interest in Park Eleven, a mixed development of 398 residential units and a retail mall. It is located within the Changfeng Ecological Business Park and north of Hongqiao, the Central Business District. The development is expected to obtain TOP by the third quarter of 2018.

The pre-sale permit for the first batch of 164 residential units was obtained in September 2016 and 146 units have been sold as at 31 December 2017. The Group expects to obtain the pre-sale permit for the second batch of the remaining residential units in the third quarter of 2018.



The Excellency, Chengdu



Park Eleven, Shanghai

SHERATON TIANJIN HOTEL

The Group has a 36% interest in the hotel.

The Sheraton Tianjin, with 240 guest rooms and 56 serviced apartments, is located strategically in the Tianjin Hexi district and offers convenient access to popular attractions in the city.

Surrounded by a pristine garden, the hotel offers a comfortable and relaxing stay for travellers. In August 2017, the hotel was chosen as one of the official hotels for the 13th Chinese National Games of China.

During the year, the hotel's revenue per available room at RMB 317 grew by 5% compared to 2016, mainly driven by a six percentage point increase in occupancy.

PROPERTY PORTFOLIO



The Westin Tianjin

THE WESTIN TIANJIN

The Group has a 51% interest in the hotel.

The Westin Tianjin, a contemporary design hotel with 275 guest rooms, is located in the Heping district, the heart of Tianjin Central Business District. It is also next to the historic concession precincts which are renowned for their unique architecture and charming streets. In July 2017, the hotel hosted delegates from the BRICS Summit Cultural Group.

During the year, the hotel's revenue per available room at RMB 462 was 10% higher compared to 2016, due mainly to a ten percentage point increase in occupancy.

BEIJING LANDMARK TOWERS

The Group has a 19.95% interest in Beijing Landmark Towers, a mixed development comprising a hotel, an apartment block and two office towers. The Group received net dividends of \$2.6 million for the year under review.

HOLBORN ISLAND

Holborn Island at 120 Holborn, was jointly acquired by UIC and UOL on a 50:50 basis in November 2016. This mixed-use development is located in Midtown, London, and is within walking distance of Chancery Lane Underground Station, Farringdon Underground Station and the upcoming Crossrail.

The freehold development, comprising a net lettable area of 349,088 square feet, has achieved close to full occupancy with stable recurring income.



Holborn Island

MANAGEMENT REVIEW

INFORMATION TECHNOLOGY

UIC TECHNOLOGIES PTE LTD

UIC Technologies Group (UICT) focuses on three main IT offerings namely systems integrations, IT services and payroll software and human resource outsourcing services.

For the year ended 31 December 2017, UICT's revenue increased by 12% from \$88.2 million in 2016 to \$99.2 million. Pre-tax profit was \$2.7 million with 15% Return on Total Equity, a marginal increase from the \$2.5 million achieved in 2016.

The increase in revenue and profit was mainly due to the refreshing of hardware and the increase of Microsoft and security software and services supplied to enterprise commercial and public sectors.

UICT continues to be self-financing with a net dividend payout for 2017 of \$1 million and a positive cash balance of \$8.5 million as at 31 December 2017.

With the projected positive outlook for Singapore economy in 2018, UICT strives to maintain its status as a preferred IT Solutions and Service Provider in Singapore.

UICT will align its transformation plan with IT industry trend to ensure growth, profitability and sustainability whilst continuing to raise productivity and enhancing core IT competencies to participate in high value IT infrastructure and Cloud Computing projects.

To stay relevant, UICT will leverage its accreditation as Microsoft Cloud Platform (Azure) Gold partner, Microsoft Cloud Productivity (Office 365) Gold partner and HP Enterprise Platinum partner to speed up its transformation to offer Hybrid Cloud Computing Services, to education, financial services, healthcare, small medium corporate and public sectors in 2018.



HUMAN RESOURCE



Volunteering at Kwong Wai Shiu Hospital



UIC Health & Fitness Walk/Jog around Marina Bay

Recognising the value of its human resources, the Group has in place adequate measures and policies to recruit, retain, develop and nurture talent. Active steps are also taken to foster an inclusive and conducive work environment which the Group believes is key to the development and well-being of employees leading to increased performance and productivity.

As part of its efforts to develop and nurture talent, the Group encourages its employees to attend courses to acquire and broaden their skills and expertise. These courses are sponsored by the Group.

Acknowledging the importance of a healthy work-life balance and the emotional and physical well-being of its employees, the Group has put in place Workplace Health Programmes since 2006. In the year under review, the various activities organised and

promoted include HPB Corporate Steps Challenges, Amazing UIC Race, the Community Chest Heartstring Walk, the New Paper Big Walk and UIC Health & Fitness Day. Lunch time talks on pain management and financial literacy were also organised, with speakers from the Institute for Financial Literacy invited to present on "Budgeting I and II". These talks aim to enable our employees to set smart financial goals and work out how much they need for their goals. Employees were also taught to develop a budget by tracking their spending as well as learning how to cut down on expenses. The Group also organised on-site health screenings and quarterly fruits-distribution to its employees to promote health awareness.

In recognition of the contributions of its employees, employees were treated to a year-end staff luncheon and long service awards were

presented to employees who had served the Group for five years or more.

The Group continues its community-driven efforts through its corporate social responsibility initiatives which include financial contributions, in-kind donations, and staff volunteerism. Amongst the initiatives taken were a visit to the Kwong Wai Shiu Hospital to bring joy and cheer to senior residents and food preparation at the Willing Hearts, a charitable organisation which prepares food for the needy. The Group also supported charitable causes such as the Pertapis, St. Luke's Hospital and the Muhammadiyah Health & Day Care Centre, and worked with various non-profit organisations including the Very Special Arts Singapore Ltd, the Metta School and the Red Cross Society on the UIC-Red Cross Blood Donation Drive at Singapore Land Tower.

PROPERTY SUMMARY

As at 31 December 2017

	Tenure of Land	Site Area sq metres	Gross Floor Area sq metres	Approximate Net Floor Area sq metres	Car Parking Lots	Percentage of Shareholding	Capital Value \$m
Subsidiary Companies' Investment Properties							
Stamford Court A 4-storey commercial building of shops and offices situated at the junction of Stamford Road and Hill Street	99-year lease from 1994	2,072	7,264	5,990	36	100	94
West Mall A 5-storey retail and entertainment complex with three basements of car parking space, located at Bukit Batok Town Centre	99-year lease from 1995	9,890	26,300	17,042	314	100*	401
Singapore Land Tower A 47-storey complex of banks and offices and three basements of car parking space with frontages on Raffles Place/ Battery Road	999-year lease from 1826	5,064	74,215	57,500	288	100**	1,550
SGX Centre 2 A 29-storey office building with two basements of car parking space located at 4 Shenton Way	99-year lease from 1995	2,970	36,590	25,800 (inclusive of 3,336 sq m in SGX Centre 1)	136	100**	520 (UIC Group's interest in SGX Centre 1 & 2)
Clifford Centre A 29-storey complex of shops and offices with frontages on both Raffles Place and Collyer Quay	999-year lease from 1826	3,343	37,267	25,470	268	100**	559
The Gateway A pair of 37-storey towers with two basements of car parking space located at Beach Road	99-year lease from 1982	21,961	97,430	69,803	689	100**	1,110
ABACUS Plaza and Tampines Plaza A pair of 8-storey office buildings with two basements of car parking space located at Tampines Central 1 in the Tampines Finance Park	99-year lease from 1996	2,614 2,613	10,970 10,965	8,397 8,397	87 79	100** 100**	94 93
Marina Square 3 Hotels and a Retail Mall The 5-storey retail mall (including basement) is part of a mixed development that includes 3 hotels and is located at Raffles Boulevard	99-year lease from 1980	92,197	315,211	206,841 (in respect of the mixed development, including the 3 hotels)	1,990	53	1,087 (in respect of retail mall)
UIC Building This is part of a mixed development (residential and commercial) located at 5 on Shenton Way with the residential component, V on Shenton classified under properties held for sale	99-year lease from 2011	6,778	30,935	26,394 (inclusive of 2 F&B units and before final survey)	591 (for the whole development)	100	654
Associated Company's and Joint Venture's Investment Properties							
Novena Square A commercial complex comprising two office towers of 25 and 18 storeys and a three-storey retail block located at the junction of Thomson Road and Moulmein Road	99-year lease from 1997	16,673	70,010	57,197	491	20	1,366
Holborn Island A 9-storey mixed use (office/retail/residential) development located at 120 Holborn, Midtown, London	Freehold	10,522	70,859	32,431	34	50	439

	Tenure of Land	Site Area sq metres	Gross Floor Area sq metres	Actual/ Expected Year of TOP	Percentage of Shareholding
Subsidiary and Associated Companies', and Joint Ventures' Properties Held for Sale					
Completed					
The Excellency, Chengdu Two towers of 51 storeys each with 3 basement car parks at the junction of Dacisi Road and Tian Xian Qiao Road North	Leasehold	7,566	77,000	2012	100**
Mon Jervois 109-unit condominium development at Jervois Road	Leasehold	8,958	13,796	2016	100**
V on Shenton 510-unit condominium development at Shenton Way. This is part of a mixed development (residential and commercial) located at 5 Shenton Way with the commercial component, UIC Building classified under investment properties	Leasehold	6,778	55,846	2017	100
Under Development					
Park Eleven, Chang Feng, Shanghai 398-unit condominium development at No. 11 plot, Danba Road/ Tongpu Road, Changfeng Area, Putuo District, Shanghai	Leasehold	39,540	85,800	2018	30
The Clement Canopy 505-unit condominium development at Clementi Avenue 1	Leasehold	13,038	50,196	2019	50
Site at Potong Pasir Avenue 1 Estimated 729-unit condominium development at Potong Pasir Avenue 1	Leasehold	18,711	52,391	2021	50

* Effective interest is 99.8%

** Effective interest is 99.7%

CORPORATE GOVERNANCE REPORT

For the Financial Year Ended 31 December 2017

United Industrial Corporation Limited ("UIC" or the "Company", together with its subsidiaries, the "Group") is committed to maintaining high standards of corporate governance and business conduct so as to enhance long-term shareholder value and safeguard the interests of its stakeholders. This report sets out the Company's corporate governance processes and activities for the financial year with reference to the principles and guidelines of the Code of Corporate Governance 2012 ("Code"). Where there is any deviation, an explanation has been provided within this report.

BOARD MATTERS

Board's Conduct of Its Affairs

The Board of Directors ("Board" and individually "Director") oversees the business affairs of the Company and ensures the long-term success of the Group.

The principal responsibilities of the Board are to:

- provide entrepreneurial leadership, set strategic objectives and commitments, review recommendations of the Nominating Committee ("NC"), Remuneration Committee ("RC") and Audit Committee ("AC"), and ensure that the necessary financial and human resources are in place for the Company to meet its objectives;
- establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interests and the Group's assets;
- review the business results of the Group and monitor the performance of Management;
- identify the key stakeholder groups and recognise that their perceptions affect the Group's reputation;
- set the Group's values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met;
- consider sustainability issues e.g. environmental and social factors, as part of the Group's strategic formulation;
- assume responsibility for corporate governance; and
- act in good faith and in the interests of the Group.

To assist the Board in the efficient discharge of its responsibilities and to provide independent oversight of Management, the Board has established the following board committees, namely, the NC, RC and AC (collectively, the "Board Committees").

The Board delegates certain functions to each of the Board Committees. Each committee reviews specific issues and makes recommendations to the Board. The Board decides whether to endorse the Board Committees' recommendations and is therefore responsible for all matters.

Minutes of Board Committee meetings are circulated to the Board to keep Directors updated on each Committee's activities.

The membership of the various Board Committees is set out on page 49 of this report entitled "Corporate Information".

The Company has adopted a financial authority limits structure and internal guidelines which set forth matters that require the Board's approval. Under these guidelines, Board's approval is required for material commitments and payment of operating and capital expenditures.

The Board and the Board Committees meet regularly (based on schedules planned one year ahead so as to ensure maximum attendance by all participants) and as warranted by particular circumstances. On occasions when Directors are unable to attend meetings in person, telephonic means are utilised as permitted under the Company's Constitution ("Constitution"). Should a Director be unable to attend any Board or Board Committee meeting, he will nonetheless be sent the papers tabled for discussion and is required to give his views, if any, in writing to the Chairman of the Board and/or Board Committee for consideration or further discussion with the other Directors. To enable members of the Board and the Board Committees to prepare for the meetings, materials are despatched one week before the meetings. The Board and Board Committees may also make decisions through circulation of resolutions.

A record of the Directors' attendance at meetings during the financial year ended 31 December 2017 is set out below:

Name	Attendance at 4 Board Meetings	Attendance at 7 Audit Committee Meetings	Attendance at 1 Nominating Committee Meeting	Attendance at 1 Remuneration Committee Meeting
Wee Cho Yaw	4	n/a	1	1
John Gokongwei, Jr.	4	n/a	n/a	n/a
Lim Hock San	4	n/a	n/a	n/a
James L. Go	4	6	1	1
Lance Yu Gokongwei	4	n/a	n/a	n/a
Gwee Lian Kheng	4	n/a	n/a	n/a
Hwang Soo Jin	4	6	1	1
Antonio L. Go	4	n/a	1	1
Wee Ee Lim	4	n/a	n/a	n/a
Alvin Yeo Khirn Hai	3	5	n/a	0
Yang Soo Suan	3	5	1	n/a

The Company funds training programmes for first-time directors and appropriate courses, conferences and seminars to update existing Directors of the Company on relevant new laws and regulations. Directors are provided with opportunities to attend courses and talks on Board matters organised by professional and reputable organisations, such as the Singapore Institute of Directors and the Institute of Singapore Chartered Accountants. This aims to give Directors a better understanding of the corporate governance matters relating to the Group and allows them to integrate into their roles and duties. The independent auditor also briefs and updates the AC and Board on developments in accounting and governance standards, and issues which may have a direct impact on the financial statements.

Upon appointment to the Board, all new directors receive a formal letter of appointment setting out his/her duties and responsibilities as well as explaining the policies and practices of the Group. New directors also receive an

information pack that contains the Group's organisation structure, the Company's Annual Report, Constitution, respective Board Committees' terms of reference, the Group's policy relating to disclosure of interest in securities and prohibition on dealings in the Company's securities. The Company conducts induction and orientation programmes for all incoming directors to introduce and familiarise them with the Group's management, business and corporate governance practices.

Board Composition and Guidance

The Board comprises eleven Directors. The NC, having regard to the Code's guidance for assessing independence, has determined that M/s Hwang Soo Jin, Antonio L. Go, Alvin Yeo Khirn Hai and Yang Soo Suan are independent directors ("Independent Directors"). Each Director brings with him a wealth of knowledge, expertise and experience and contributes valuable direction and insight, drawing from his vast experience in matters relating to accounting, finance, legal, banking,

CORPORATE GOVERNANCE REPORT

For the Financial Year Ended 31 December 2017

business, management (including risk management), real estate and general corporate matters. A brief background of each Director is set out in the "Board of Directors" section found on pages 4 to 10 of this report.

As the Chairman is not an independent director, the NC has reviewed the composition of Independent Directors. To be in line with Guideline 2.2 of the Code, Messrs Francis Lee Seng Wee and Chng Hwee Hong were appointed as additional Independent Directors to the Board.

The independence of each Independent Director is reviewed annually by the NC. For financial year 2017, the independence of M/s Alvin Yeo Khirn Hai, Hwang Soo Jin and Antonio L. Go, who have each served on the Board beyond nine years, was rigorously scrutinised by the NC (with M/s Hwang Soo Jin and Antonio L. Go abstaining from NC's discussions and deliberations). Despite their long periods of service, the NC found and recommended to the Board, that each Independent Director has exercised independent judgment and made decisions objectively in the best interests of the Company and its shareholders. Details of these findings can be found on pages 33 and 34 of this report.

Given the fact that all the Independent Directors are long serving and well experienced, the Board does not consider it necessary to appoint a lead independent director amongst them.

The regular and active interactions amongst them at Board and Board Committee meetings provide sufficient opportunities for the Independent Directors to co-ordinate and work together as a group. Where necessary, the Independent Directors also have the discretion to meet without the presence of the other Directors and they are able to provide their feedback to the Chairman after such meetings. The Independent Directors chairing the AC, NC and RC have sufficient standing and authority to look into any matter which the Chairman and the President/Chief Executive Officer ("President/CEO") fail to resolve.

Taking into account the nature and scope of the Group's operations, the Board is satisfied that the current Board size and composition are appropriate and that no

individual or small group of individuals dominates the Board's decision-making process.

In addition, the non-executive directors ("Non-Executive Directors"), being all the Directors save for the President/CEO, effectively monitor the Management by constructively challenging Management's proposals, assisting in the development of strategic proposals, reviewing the performance of Management in meeting agreed goals and objectives, and monitoring the reporting of such performance. Where necessary, the Non-Executive Directors are encouraged to meet without the presence of Management to facilitate a more effective check on Management.

Chairman and Chief Executive Officer

To ensure an appropriate balance of power, increased accountability and a greater capacity of the Board for independent decision-making, the Company has a clear division of responsibilities at the top management level. Such division of responsibilities is established and agreed by the Board. The non-executive Chairman and the President/CEO have separate roles which are not related to each other.

The Chairman's responsibilities include:

- leading the Board to ensure its effectiveness on all aspects of its role;
- setting the agenda and ensuring that adequate time is available for discussion of all agenda items, in particular strategic issues;
- promoting a culture of openness and debate at the Board;
- ensuring that the Directors receive complete, accurate and timely information;
- ensuring effective communication with shareholders;
- encouraging constructive relations within the Board and between the Board and Management;
- facilitating the effective contribution of Non-Executive Directors in particular; and
- promoting high standards of corporate governance.

The President/CEO has full executive responsibility for the management of the Group's business operations and the effective implementation of the Group's strategies and policies.

Nominating Committee

Through the NC, the Board reviews its composition and the composition of Board Committees annually.

The NC comprises of five Non-Executive Directors, namely, M/s Hwang Soo Jin (NC Chairman), Wee Cho Yaw, James L. Go, Antonio L. Go and Yang Soo Suan, three of whom, including the NC Chairman are Independent Directors. The NC Chairman is not directly associated with any of the Company's substantial shareholders.

The main Terms of Reference of the NC are:

- reviewing the Board's succession plans for Directors, in particular, the Chairman and CEO;
- deciding how the performance of the Board, the Board Committees, and Directors may be evaluated and proposing objective performance criteria to assess the effectiveness of the Board and Board Committees as a whole and the contribution of each Director;
- reviewing the training and professional development programmes for the Board;
- recommending appointments of new directors and re-appointments of existing Directors to the Board;
- reviewing the skills required by the Directors;
- reviewing the size of the Board;
- determining annually the independence of each Director, and ensuring that at least one third or where applicable, half of the Board comprises Independent Directors;
- deciding whether a Director with multiple Board representations is able to and has been adequately carrying out his duties as a Director; and
- carrying out annual assessment of the effectiveness of the Board, the Board Committees and individual Directors.

The NC oversees and reviews the Directors' succession, induction, training and leadership development plans for the Board's approval.

When the need arises, the NC and the Board will leverage on their combined extensive professional and social network and resources to recruit suitable candidates. Nominated candidates will be closely examined by the NC for suitability and recommendation to the Board.

In the nomination and selection process for a new director, the NC identifies key attributes of a potential director based on the requirements of the Group, taking into account broader diversity considerations such as age, gender and ethnicity, and recommends the appointment to the Board. The NC conducts a yearly review of the re-appointment of Directors. The Constitution requires one-third of the Directors (selected based on length of service since the previous re-election or appointment) to retire and subject themselves to re-election by shareholders at every annual general meeting ("AGM"). In addition, any newly appointed Director will submit himself or herself for retirement and re-election at the AGM immediately following his or her appointment.

In its deliberations on the re-appointment of the Directors, the NC takes into consideration the Director's competencies, commitment, contributions and performance (including attendance, participation and candour), to meet the evolving needs of the Group.

The NC is also responsible for determining annually, and as and when circumstances require, whether or not a director is independent and provides its views to the Board for consideration. For financial year ended 2017, the NC has reviewed each Independent Director's confirmation of his independence, a declaration drawn according to the guidelines of the Code. Each NC member has abstained from deliberations in respect of his own assessment.

The NC further noted that Mr Alvin Yeo Khirn Hai is a partner (with less than 10% stake) of WongPartnership LLP, which has provided legal services to the Group for the year 2017, for which fees of more than \$200,000 have been billed. The NC noted that Mr Yeo was not personally involved in providing the legal services and did not involve himself in the selection or appointment of WongPartnership LLP's legal counsel by the Group. He supports the use of market rates for remuneration of legal services.

The NC assessed the independence of character and judgement of each of the Independent Directors and is satisfied with their openness and in-depth knowledge of the Group's business. The NC also noted that they have

CORPORATE GOVERNANCE REPORT

For the Financial Year Ended 31 December 2017

independent mindsets and have acted objectively at all times in the interests of the Group and its shareholders.

The Board, having considered the NC's recommendations and weighing the need for the Board's refreshment against tenure, deems M/s Alvin Yeo Khirn Hai, Antonio L. Go and Hwang Soo Jin who have each served the Board for more than nine years as independent and agrees that their years of service have not compromised their independence and ability to discharge their duties as Board and Board Committee members.

The NC considered the multiple board representations of the Directors and is satisfied that notwithstanding their multiple directorships, each Director has been able to commit time and effort to the affairs of the Group and has participated actively and robustly in Board discussions and meetings and related Board Committee meetings. The NC requires a Director who is unable to attend any meetings to give his views, if any, in writing to the Chairman of the Board and/or Board Committee.

The Board is of the view, that as different companies have different complexities and directors have different capabilities, each Director has to evaluate his own obligations and time commitment on the Board, taking into consideration his other directorships and commitments. The Board has therefore currently not prescribed a cap on the number of Board memberships a Director may hold. This review is conducted annually.

Information on the Directors, including the year of initial appointment, last re-election and membership on Board Committees is set out in the section of this Annual Report entitled "Corporate Information" on page 49.

The Company does not have an alternate Director on the Board.

Board Performance

With the Board's approval, the NC has adopted objective performance criteria for assessing the effectiveness of the Board as a whole, the Board Committees and individual Directors. In evaluating the Board's performance as a whole, the NC has adopted quantitative indicators which include return on equity, return on assets and economic

value added. These performance criteria are linked to long-term shareholder value and allow the NC to make comparisons with its industry peers. In addition, the NC also takes into consideration the qualitative criteria of the effectiveness of the Board in monitoring Management's performance and the success of Management in achieving strategic and budgetary objectives set by the Board.

As part of the yearly assessment of contributions from each Director to the effectiveness of the Board, the NC would assess whether each Director has contributed effectively and discharged his duties responsibly, taking into account the individual Director's industry knowledge and/or functional expertise, contribution and workload requirements, sense of independence, attendance and participation at the Board and Board Committee meetings. The Board would then be informed of the results of the performance evaluation and where appropriate, the Chairman would act on such results in consultation with the NC.

For the year 2017, the NC was satisfied with the effectiveness of the Board as a whole and its Board Committees. The NC also found that all Directors, including the Chairman, have discharged their duties responsibly and effectively.

Access to Information

Management recognises the importance of providing Directors with complete, adequate and timely information on an ongoing basis.

To enable the Board to discharge its duties, fulfill its responsibilities, and make informed decisions, Management provides Directors with monthly management accounts. For Board and Board Committee meetings, Directors are provided with Board papers and related materials one week in advance. Any additional materials or information requested by the Directors are promptly furnished. Relevant management personnel give their presentations and answer queries from Directors at Board and Board Committee meetings. The Directors also have separate and independent access to the Company Secretary and management personnel.

Subject to the approval of the Chairman, the Directors may seek and obtain separate and independent professional advice to assist them in their duties at the Company's expense.

The Company Secretary assists the Chairman to ensure information flows effectively within the Board and Board Committees and between Management and Directors. The Company Secretary advises the Board on all governance matters including, inter alia:

- all matters regarding the proper function of the Board;
- compliance with the Company's Constitution;
- compliance with the Companies Act (Cap. 50), the Securities and Futures Act (Cap. 289), the Code, the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual and applicable rules and regulations.

From time to time, the Company Secretary circulates to the Board articles and press releases relevant to the Directors and to the Group's businesses, and material announcements issued to/by SGX-ST and the Accounting & Corporate Regulatory Authority. The Company Secretary also keeps the Board informed of relevant laws and regulations, industry issues, practices and trends pertaining to Corporate Governance matters which would affect the Board.

The Board as a whole decides on the appointment and the removal of the Company Secretary.

REMUNERATION MATTERS

Remuneration Committee

The Group has a formal and transparent procedure for developing policy on executive remuneration and fixing remuneration packages of individual Directors and key management personnel. The members of the RC are M/s Alvin Yeo Khirn Hai ("RC Chairman"), Wee Cho Yaw, James L. Go, Hwang Soo Jin and Antonio L. Go. The RC is made up of Non-Executive Directors, majority of whom, including the RC Chairman are independent.

The RC's main Terms of Reference are:

- reviewing the existing benefit and remuneration systems, including the Performance or Variable Bonus Schemes and the UIC Share Option Scheme ("ESOS") applicable to the Group and proposing any amendments/updates, where appropriate, to the Board for approval;
- approving the remuneration packages of the President/CEO and key management personnel of the Group;
- administering the allocation of the ESOS to qualifying executives, including the President/CEO of the Company;
- recommending appropriate fees for Directors, taking into account their services and contributions on the various Board Committees; and
- reviewing the Company's obligations arising in the event of termination of the President/CEO's or a key management personnel's contract of service to ensure that contracts of service contain fair and reasonable termination clauses which are not overly generous.

Procedures for Developing Remuneration Policies

The Board, through the RC, oversees and sets an appropriate remuneration policy for the Group. The RC reviews and recommends for the Board's endorsement, a remuneration framework for Directors and key management personnel. In its review, the RC examines the Group's performance targets via Key Performance Indicators ("KPIs") such as profits, return on equity, total shareholder return, leasing rates and residential property sales, and will also benchmark the KPIs against the industry average of comparable companies. In addition, the RC will look at the individual's performance and consider market practices in compensation. In recommending a specific remuneration package for each Director and key management personnel for the Board's endorsement, the RC covers all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, share options and benefits in kind.

The RC reviews and ensures that contracts of service of the President/CEO and key management personnel are fair and contain a reasonable termination clause which is not overly generous. The present contracts of service for staff require a service notice period of up to three months or such payment in lieu of this notice period.

CORPORATE GOVERNANCE REPORT

For the Financial Year Ended 31 December 2017

When recommending Directors' fees, the RC receives in-house assistance from the Company's head of Human Resource department and seeks professional advice from external consultants, when necessary.

No member of the RC or any Director is involved in the deliberations in respect of any remuneration and compensation to be granted to him. The President/CEO's remuneration is decided by the RC and the President/CEO is not present in the discussion.

Level and Mix of Remuneration

In recommending to the Board a level and mix of remuneration for its Directors and key management personnel, the RC ensures that the Group's compensation strategies are flexible and adaptable in line with the Group's long term goals and risk policies, to create value for shareholders, and are compatible with the market so as to attract, motivate and retain key talents for the success and growth of the Group.

A proportion of the Company's President/CEO's and key management personnel's remuneration is structured so as to link remuneration to the performance of the Group. The Company ensures that such performance-related remuneration is aligned with the interests of the shareholders, promotes the long-term success of the Group and takes into account the risk policies of the Group. The remuneration consists of the following components:

- (a) fixed remuneration, which includes basic salary, the Company's Central Provident Fund ("CPF") contributions and annual wage supplement. To ensure that such remuneration is compatible with market practice, the RC would consider the remuneration components of similar companies in the industry;
- (b) variable bonus based on the Group's and the individual's performance, as well as industry payouts. The percentage of the variable component against the total compensation paid out to an individual would depend on that individual's level of seniority within the Group and that individual's contribution to the Group;

- (c) benefits provided include medical benefits, transport and telephone allowances. Eligibility is dependent on the individual's job requirement, salary, grade and length of service; and
- (d) share options granted under the ESOS (vested within a 4-year period from the date of grant according to a vesting schedule). The quantum of allocation is based on the individual's performance and contribution to the Group. Details of the ESOS are set out in the Directors' Statement section of this report on page 53 under "Share Options" and can also be found on the Company's website www.uic.com.sg.

For the year 2017, the RC was satisfied that the performance targets via KPIs relied on to determine the Company's President/CEO and key management personnel's entitlement to the above remuneration components have been met.

Disclosure on Remuneration

Non-Executive Directors are paid basic Directors' fees. The Chairman, Deputy Chairman and Directors with additional duties as members or chairmen of Board Committees would receive a higher portion of Directors' fees. The RC ensures that the recommended compensation commensurates with the effort, time spent and role of the Non-Executive Directors. The RC recommends Directors' fees to the Board for endorsement which would then be submitted to shareholders for approval at each AGM.

In respect of the ESOS, the RC also ensures that there are appropriate contractual provisions which will allow the Company to reclaim incentive components of remuneration from the respective recipient in the event of any misstatement of financial results or of misconduct resulting in financial loss to the Company. In such an event, share options granted to the individual personnel may be cancelled.

There are no special service contracts offered by the Company.

Remuneration of Directors for the Year Ended 31 December 2017 is as follows:

Name of Director	Base/ Fixed Salary %	Variable or Performance- Related Income/ Bonuses %	Directors' Fees* %	Share Options Granted, Allowances and Other Benefits %	Total \$'000
Chief Executive Officer					
Lim Hock San	58	33	1	8	1,315
Non-Executive Directors					
Wee Cho Yaw	n/a	n/a	100	n/a	64
John Gokongwei, Jr.	n/a	n/a	100	n/a	40
James L. Go	n/a	n/a	100	n/a	51
Lance Yu Gokongwei	n/a	n/a	100	n/a	18
Gwee Lian Kheng	n/a	n/a	100	n/a	33
Hwang Soo Jin	n/a	n/a	100	n/a	41
Antonio L. Go	n/a	n/a	100	n/a	27
Wee Ee Lim	n/a	n/a	100	n/a	18
Alvin Yeo Khirn Hai	n/a	n/a	100	n/a	36
Yang Soo Suan	n/a	n/a	100	n/a	36

* Includes fees payable for directorship in subsidiary companies (if applicable).

Remuneration of Key Management Personnel (who are not also Directors) for the Year Ended 31 December 2017 is as follows:

Remuneration Band & Name of Key Executive	Base/ Fixed Salary %	Variable or Performance-Related Income/Bonuses %	Share Options Granted, Allowances and Other Benefits %
\$250,000 - \$500,000			
Goh Poh Leng	61	17	22
Han Chan Juan	68	16	16
Kenneth Lee Ngai Hon	65	16	19
William Wong Chee Teck	67	16	17
Koh Kim Meng	67	19	14
Susie Koh #	64	16	20

Retired as Company Secretary on 31 December 2017.

CORPORATE GOVERNANCE REPORT

For the Financial Year Ended 31 December 2017

The total aggregate remuneration paid to the above top key management personnel (excluding President/CEO) is \$1,864,095.

The aggregate amount of post-employment benefits of the Directors, the President/CEO and the top key management personnel (who are not Directors) for the financial year ended 2017 is nil.

Remuneration of Employees who are immediate family members of a Director or the President/CEO

No employee of the Company and its subsidiaries was an immediate family member of a Director or the President/CEO and whose remuneration exceeded \$50,000 during the financial year ended 2017.

INFORMATION ON KEY EXECUTIVES

Goh Poh Leng

(Senior General Manager, Marketing)

Ms Goh Poh Leng graduated with a Bachelor of Science (Estate Management) (Honours) from the National University of Singapore in 1990 and subsequently obtained her Certified Diploma in Accounting and Finance conducted by The Association of Chartered Certified Accountants, UK. Prior to joining the Company, Ms Goh worked in an international property consultancy firm for two years. She joined in 1992 and held various positions until her appointment as Senior General Manager, Marketing in January 2010.

Han Chan Juan

(Senior General Manager, Asset Management)

Mr Han Chan Juan qualified as a chartered accountant in 1980, and is a member of the Institute of Chartered Accountants in England and Wales and the Institute of Singapore Chartered Accountants. Prior to joining the Group in 2009, he was Senior Vice President (Performance Management) of the Pan Pacific Hotels Group Limited. He has over 20 years of experience in financial and asset management of hotels.

Kenneth Lee Ngai Hon

(Senior Financial Controller)

Mr Kenneth Lee graduated from Nanyang Technological University with a Bachelor of Accountancy (Second Class Upper Honours) and is a fellow of the Institute of Singapore Chartered Accountants. He has more than 20 years of experience in financial management. Prior to his current appointment in 2015, he was the Financial Controller/Company Secretary of one of the Group's subsidiaries. He began his career as an auditor in an international accounting firm and subsequently took on financial management positions in the manufacturing, retail and hospitality industries.

William Wong Chee Teck

(General Manager, Building & Management Services)

Mr William Wong graduated in Mechanical Engineering from the National University of Singapore, is a Professional Engineer in Mechanical Engineering and a Specialist Professional Engineer in lifts, escalators and access platforms. He is also a Registered Inspector, an Authorised Examiner (Lifts), a Senior Fire Safety Manager and a Qualified Energy Manager. Mr William Wong was appointed as General Manager, Building Management Services in May 2001. He has more than 30 years of experience in Project Management, Systems Sales and Facilities Management. Prior to this appointment, he was General Manager of construction companies specialising in Mechanical & Electrical Engineering Construction. He began his career in Honeywell Pte Ltd working on projects such as Marina Square and Suntec City.

Koh Kim Meng

(General Manager, Projects & Development)

Mr Koh Kim Meng has a Bachelor of Engineering (Honours) Degree from the University of Technology, Loughborough, United Kingdom, a Diploma in Structural Engineering from the Singapore Polytechnic, and a Certificate in Management Studies from the Singapore Institute of Management Studies. He brings with him a wealth of experience in real estate developments ranging from hotels, commercial and residential developments, retail malls, industrial buildings to golf courses. At various points in his career, he has led project development, marketing and property management

functions. He joined the Company in 2007 as General Manager to head the projects and development division.

ACCOUNTABILITY AND AUDIT

Accountability

The Board recognises the need to provide shareholders with a balanced and understandable assessment of the Group's performance and prospects.

The Board ensures that disclosure of material corporate developments and other ad-hoc announcements, as required by the SGX-ST, are released on a timely basis. Results for the first three quarters are released within 45 days from the end of the quarter and full year results are released within 60 days from the financial year-end.

Management provides Directors with management accounts, including consolidated income statements, balance sheets, performance statistics and explanations for significant variances against budget on a monthly basis and significant variances against prior year's actual statistics on a quarterly basis. In addition, Management also provides the Directors with other business reports on a quarterly basis and as the Board may require from time to time.

Risk Management and Internal Controls

The Board, with the assistance of the AC, is responsible for the governance of risks and ensures that the Group maintains a sound system of risk management and internal controls with a view to, among other things, ensure proper accounting records and reliable financial information and to safeguard shareholders' interests and the Group's assets.

The Group has put in place a risk management system to identify, evaluate, manage and report all material risks arising from the Group's business transactions and activities. This system is steered by the Risk Management Committee ("RMC"), which comprises the President/CEO and the respective Heads of Department of the Group. The RMC reports to the AC.

The RMC:

- oversees various aspects of control and risk management policies and processes of the Group;
- identifies, evaluates, manages and reports all material risks arising from the Group/Company's business transactions and activities;
- performs ongoing reviews to monitor implementation and effectiveness of the risk management activities and makes refinements as necessary;
- reviews and guides the Group in formulating its risk policies;
- reviews the Group's risk profile periodically and risk limits where applicable;
- reports to the AC and/or the Board on material matters, findings and recommendations; and
- performs such other functions as the Board may determine.

A risk register documenting the risk management exercise, is completed by the respective business units/ departments, with the identification and evaluation of risk mitigating measures for the various risks clearly documented on the risk register. The completed risk register is then reviewed and approved by the President/CEO.

The RMC meets every quarter to review and evaluate the risk register to ensure all material risks including financial, operational and compliance (legislation and regulatory) are properly identified and sufficient internal controls including information technology controls are in place to manage and mitigate such risks. In addition, the RMC assesses the impact of new regulations and changes in business environment when necessary.

The results of the respective risk management exercises are submitted to the AC on a quarterly basis.

The AC reviews the Group's key risks and levels of risk tolerance, assesses the adequacy and effectiveness of the Group's risk management and internal control systems, and thereafter, reports the findings of its assessments and makes recommendations to the Board for the Board's consideration.

CORPORATE GOVERNANCE REPORT

For the Financial Year Ended 31 December 2017

For the financial year ended 2017, the Board received assurance from the President/CEO and Senior Financial Controller that the Group's financial records had been properly maintained and the financial statements gave a true and fair view, in all material aspects, of the Group's operations and finances, and that the risk management and internal control systems were adequate and effective in addressing the material risks in its current business environment including material financial, operational, compliance and information technology risks.

Based on the risk management and internal control systems established and maintained by the Group, work performed by the internal and independent auditors and the RMC, the Board, with the concurrence of the AC, is of the opinion that the Group's risk management and internal control systems including financial, operational, compliance and information technology controls are adequate and effective.

The Board notes that although the risk management and internal control systems established by the Group provide reasonable assurance that the Group will not be materially affected by any event that can be reasonably foreseen, no system of internal controls and risk management can provide absolute assurance against the occurrence of material errors, fraud or other irregularities.

Audit Committee

The AC comprises four Non-Executive Directors, namely, M/s Yang Soo Suan (AC Chairman), James L. Go, Hwang Soo Jin and Alvin Yeo Khirn Hai, the majority of whom, including the AC Chairman, are independent. The Board is satisfied that the members of the AC are appropriately qualified to discharge their responsibilities and that at least two AC members, including the AC Chairman, have recent and relevant accounting or related financial management expertise or experience.

The AC carries out its duties in accordance with the Terms of Reference which include the following:

- reviews, with the independent auditor, the scope and results of the audit report and its cost effectiveness;
- reviews the significant financial reporting issues and

judgements made and any announcements relating to the Group's financial performance;

- reviews and reports to the Board the adequacy and effectiveness of the Group's risk management and internal controls;
- reviews the adequacy and effectiveness of the internal audit function;
- reviews the assistance given by the Group's officers to the independent and internal auditors;
- commissions investigations into and reviews findings likely to have a material impact on the Group's operating results or financial position;
- reviews significant interested person transactions;
- meets with the independent and internal auditors annually without the presence of Management; and
- reviews the independence of the independent auditor annually.

The AC has explicit authority to investigate any matter within its Terms of Reference, full access to and co-operation from the Management, full discretion to invite any one of the Directors or more or the President/CEO to attend its meetings, and reasonable resources to enable it to discharge its functions properly.

Management has put in place, with the AC's endorsement, channels through which staff of the Group may raise concerns about possible improprieties in matters of financial reporting or other matters in confidence.

A whistle blowing policy, implemented since February 2004, enables staff to raise concerns on fraud, theft and corruption at work to their managers or write to the President/CEO and/or Internal Audit Manager for their investigation. The policy provides reassurance to whistle-blowers that they will not be victimised if they have acted in good faith. The Company will also consider, as far as is reasonably practicable, concerns raised anonymously.

Employees are also required to submit an Annual Declaration Form disclosing any conflicts of interest and undertaking to comply with their confidentiality obligations and the Personal Data Protection Act (Cap. 26).

Key Audit Matters

For a property company, the major items of assets are:

- (1) Investment properties; and
- (2) Properties held for sale.

As these assets are subject to fluctuations in value, they are required to be revalued periodically not only to ensure reasonable accuracy for disclosure in the balance sheets but also for the long term financial soundness of the company. For the year 2017, the AC notes with satisfaction that the independent auditor in reviewing the estimation process of each category of properties has found no lack of objectivity and professional competence in the persons involved either from Management or from the professional firms of valuers in undertaking the complex task. In consequence, the independent auditor has concurred with Management's assessments. (Please refer to independent auditor's report on pages 58 and 59 of this report).

Mindful of the delicate nature of revaluation and the importance of ensuring its accuracy, the AC will continue to be watchful over the selection of competent external valuers and that Management will not be found wanting due to the lack of adequate resources to judiciously conduct the complex task of estimation in the two critical areas from year to year. Above all the AC will continue to ensure objectivity is applied in the processes.

It is noteworthy that both under key audit matters and other audit accounting matters, there are no material weakness noted in either the system or the procedure of controls in areas covered by the internal auditor and independent auditor in the audit for the year 2017.

During the financial year 2017, the AC held seven meetings. The announcements of the quarterly and full year results, the financial statements of the Group, and the Auditor's Report thereon for the full year were reviewed by the AC before the same were recommended for the consideration and approval of the Board. The AC met with the independent auditor and internal auditor, without the presence of Management, at least once during the financial year.

For the financial year 2017, the AC undertook a review of the fees and expenses of the audit and non-audit services provided by the independent auditor, PricewaterhouseCoopers LLP in accordance with Rule 1207(6) of SGX-ST Listing Manual. Details of the aggregate amount of fees paid to the independent auditor and the breakdown of fees payable in respect of audit and non-audit services can be found in Note 7 to the Financial Statements.

The AC also assessed the nature and extent of the non-audit services and whether such services might prejudice the independence and objectivity of the independent auditor before confirming their re-nomination. The AC was satisfied that such services did not affect the independent auditor's independence. Having regard to the adequacy of resources, the experience of the firm and the audit engagement partner assigned to the audit, the firm's other audit engagements, the size and complexity of the Group, and the number of supervisory and professional staff assigned to the audit, the AC was satisfied that the independent auditor is a suitable audit firm to meet the Group's audit obligations. The AC then recommended to the Board, for shareholders' approval, the proposal to re-appoint the independent auditor and its remuneration.

No former partner or director of the Company's existing audit firm is a member of the AC.

The Company confirms that Rules 712 and 715 of the SGX-ST Listing Manual on the appointment of auditors have been complied with. Please refer to Note 38 to the Financial Statements.

Internal Audit

The Group maintains accountability through an in-house internal audit function that is adequately resourced, has appropriate standing within the Group, and is independent of the activities it audits.

The hiring, removal, evaluation and compensation of the head of the internal audit team are under the purview of the AC. The internal audit team comprises suitably qualified professional staff who have the requisite skill sets and experience and is guided by the Standards for

CORPORATE GOVERNANCE REPORT

For the Financial Year Ended 31 December 2017

the Professional Practice of Internal Auditing set by the Institute of Internal Auditors. The internal audit team reports directly to the AC Chairman and, administratively, to the President/CEO.

The Group's internal audit team assists the Board and key management personnel by providing an independent and objective evaluation of the adequacy and effectiveness of the Group's risk management system and internal controls. The internal audit team, which has unfettered access to all the Group's documents, records, properties and personnel, including access to the AC, reviews the effectiveness of the Group's risk management and internal control systems encompassing material internal controls, including financial, operational compliance and information technology risks. As part of its audit services, the internal audit team reviews interested party transaction processes and ensures that the necessary controls are in place and complied with. Any material non-compliance or failures in internal controls and recommendations for improvements are reported to the AC, who would then review the adequacy and effectiveness of the internal audit function on a quarterly basis.

Sustainability Reporting

In line with the SGX-ST's initiative to implement sustainability reporting as an integral part of good corporate governance, the Group has established a Sustainability Steering Committee and a Sustainability Working Committee to make recommendations, monitor the Group's sustainability efforts and report on sustainability issues such as environmental and social factors as part of the Group's strategic formulation. The Company's first annual sustainability report will be available online by the end of 2018 on UIC's website at www.uic.com.sg.

Shareholder Rights and Responsibilities

The Company adopts an open and non-discriminatory approach regarding its shareholders' rights.

The Company has an Investor Relations Policy (available online on UIC's website at www.uic.com.sg) which ensures that pertinent information conveyed to its shareholders

should be as descriptive and detailed as possible. The Board also provides shareholders with a balanced and understandable assessment of the Company's performance, position and prospects on a quarterly basis via quarterly announcement of results and other ad hoc announcements as required by SGX-ST.

The Company continues to keep shareholders and analysts informed of its corporate activities on a timely, consistent and even-handed basis. The disclosures are made on an immediate basis as required under the SGX-ST Listing Manual or as soon as possible where immediate disclosure is not practicable. From time to time, Management meets with analysts upon their requests.

The Company disseminates information on general meetings through notices in its annual reports or circulars. These notices are also released via SGXNet, published in local newspapers and posted on the Company's website ahead of the meetings to give ample time for shareholders to review the documents.

Following the amendments to the Listing Manual allowing listed companies to use electronic communications to send documents including circulars and annual reports to shareholders, the Company has launched a new digital format of this Annual Report, published on the Company's website at www.uic.com.sg.

General meetings have been and are still the principal forums for dialogue with shareholders. At these meetings, shareholders are able to engage the Board and the Management on the Group's business activities, financial performance, and other business-related matters. The Company also gathers shareholders' views or input and addresses their concerns at such general meetings.

The independent auditor and respective Chairman of the Board and Board Committees, namely the AC, NC and RC are present at the AGM to address shareholders' queries, if any. Any such queries or comments from shareholders relating to the agenda of the meeting will, where relevant, be minuted and made available to the shareholders upon their request.

The Company aims to enhance total shareholder return by balancing cash return to shareholders and investment for sustaining growth whilst maintaining an efficient capital structure. The Company strives to provide consistent and sustainable ordinary payments to its shareholders on an annual basis.

Conduct of Shareholders Meeting

All shareholders are invited to participate in the Company's general meetings.

The Constitution allows all shareholders the right to appoint up to two proxies to attend, speak and vote at general meetings on their behalf. Under the new multiple proxy regime, "relevant intermediaries" such as banks, capital markets services licence holders (which provide custodial services for securities) and the CPF, are allowed to appoint more than two proxies to attend, speak and vote at general meetings. This will enable indirect investors, including CPF investors, to be appointed as proxies to participate at general meetings.

To promote greater transparency in the voting process and effective participation, the Company conducted electronic poll voting for all resolutions proposed at the general meetings. Except in cases where resolutions are

interdependent and linked, there are separate resolutions on each separate issue. Through a service provider's poll voting system, the votes cast for and against and the respective percentages on each resolution will be tallied and instantaneously displayed live-on-screen to shareholders at the general meetings.

An independent scrutineer is engaged to review the electronic poll voting system and proxy verification process during the general meetings to ensure that the information is compiled adequately and procedures are carried out effectively. Voting results will also be announced after the general meetings via SGXNET.

The Company Secretary records minutes from these general meetings which include relevant comments or queries from shareholders and responses from the Board and Management. The minutes are available upon request by shareholders.

OTHER GOVERNANCE MATTERS

Interested Person Transactions

The Company has adopted an internal policy in respect of any transaction with interested persons (as defined by Rule 904 of the SGX-ST Listing Manual).

CORPORATE GOVERNANCE REPORT

For the Financial Year Ended 31 December 2017

The Company's disclosure according to Rule 907 of the SGX-ST Listing Manual in respect of interested person transactions ("IPT") for the financial year ended 31 December 2017 is set out as follows:

Details of IPT and Name of Interested Person	Aggregate value of all IPT during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual) \$'million
1. United Venture Development (Clementi) Pte. Ltd. ("UVDC"), in relation to the development of The Clement Canopy	
Receipt of project management fee income by Realty Management Services (Pte) Ltd. ("RMS") from UVDC	0.2
Receipt of marketing fee income by RMS from UVDC	1.3
Contribution of shareholders' loans (including receipt of interest income) by Singland Homes Pte. Ltd. ("SL Homes") in UVDC	5.3
2. UVD (Projects) Pte. Ltd. ("UVDP"), in relation to the acquisition of Raintree Gardens	
Receipt of finance sourcing fee income by RMS from UVDP	0.2
Contribution of shareholders' loans (including receipt of interest income) and equity by SL Homes in UVDP	73.0
3. United Venture Investments (HI) Pte. Ltd. ("UVIHI"), in relation to 120 Holborn Island, London, United Kingdom	
Receipt of interest income on shareholders' loans by UIC Overseas Investments Pte. Ltd. from UVIHI	0.5
4. United Venture Development (Thomson) Pte. Ltd. ("UVDT"), in relation to the development of Thomson Three	
Receipt of project management fee income by RMS from UVDT	0.1
5. Jin Qing (Shanghai) Investment Consultancy Co., Ltd, in relation to the development of Park Eleven	
Payment of shared payroll costs of project management team by Shanghai JinPeng Realty Co., Ltd	0.4
6. Pan Pacific Hotels and Resorts Pte. Ltd. ("PPHR")	
Payment of management fee and incentive fee by Hotel Marina City Private Limited ("HMC") to PPHR for provision of hotel management services	4.5

Details of IPT and Name of Interested Person	Aggregate value of all IPT during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual) \$'million
7. Pan Pacific Marketing Services Pte. Ltd. ("PPMS")	
Payment of marketing services fee, reservation fee and system fee by HMC to PPMS for provision of hotel management services	1.9
8. Pan Pacific International Pte Ltd ("PPI")	
Payment of license fee by HMC to PPI for provision of hotel management services	2.0

There were no IPT conducted under shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual (excluding transactions less than \$100,000) for the financial year ended 31 December 2017.

The above IPT in joint ventures were conducted at arms' length on normal commercial terms. The AC was also of the view that the risks and rewards of the aforementioned IPT were in proportion to the equity of each joint venture partner, and that the IPT were not prejudicial to the interests of the Company and its minority shareholders.

CORPORATE GOVERNANCE REPORT

For the Financial Year Ended 31 December 2017

Material Contracts

There were no other material contracts of the Company or its subsidiaries involving the interests of the President/CEO, each Director or controlling shareholder, either still subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year save as disclosed above and as follows:

- (a) Singland China Holdings Pte. Ltd. (a subsidiary of UIC), UOL Capital Investments Pte. Ltd. (a subsidiary of UOL Group Limited) and Peak Star Pte Ltd (a subsidiary of Kheng Leong Company (Private) Limited), have established a joint venture company, Shanghai Jin Peng Realty Co., Ltd on a 30:40:30 basis respectively to develop Park Eleven, Changfeng District, Shanghai, People's Republic of China, a mixed use development comprising residential units and a retail component. The purchase price of the land was RMB 2.06 billion.
- (b) S.L. Development Pte Limited (a subsidiary of UIC) and UOL Venture Investments Pte. Ltd. (a subsidiary of UOL Group Limited) have established a joint venture company, United Venture Development (Bedok) Pte. Ltd. on a 50:50 basis to develop Archipelago, a residential development at Bedok Reservoir Road. The purchase price of the land was S\$320 million.
- (c) Singland Homes Pte. Ltd. (a subsidiary of UIC) and UOL Venture Investments Pte. Ltd. (a subsidiary of UOL Group Limited) have established a joint venture company, United Venture Development (Thomson) Pte. Ltd. on a 50:50 basis to develop Thomson Three, a residential development at Bright Hill. The purchase price of the land was S\$292 million.
- (d) Singland Homes Pte. Ltd. (a subsidiary of UIC) and UOL Venture Investments Pte. Ltd. (a subsidiary of UOL Group Limited) have established a joint venture company known as United Venture Development (Clementi) Pte. Ltd. on a 50:50 basis to develop

The Clement Canopy, a residential development at Clementi Avenue 1. The purchase price of the land was S\$302 million.

- (e) UIC Overseas Investments Pte. Ltd. (a subsidiary of UIC) and UOL Venture Investments Pte. Ltd. (a subsidiary of UOL Group Limited) have established a joint venture company known as United Venture Investments (HI) Pte. Ltd. on a 50:50 basis to acquire a freehold 9-storey mixed use building located at 120 Holborn, Midtown, London EC1 N2TD, United Kingdom. The acquisition price of the property was £222.6 million.
- (f) Singland Homes Pte. Ltd. (a subsidiary of UIC) and UOL Venture Investments Pte. Ltd. (a subsidiary of UOL Group Limited) have established a joint venture company known as UVD (Projects) Pte. Ltd. on a 50:50 basis for a collective purchase of all the units and the common property in the development known as "Raintree Gardens" located in Potong Pasir at a purchase price of S\$334.2 million and to redevelop the site.

All the aforesaid transactions were on normal commercial terms; and the risks and rewards of each joint consortium are in proportion to the equity of each joint venture partner.

Dealings in Securities

The Company has adopted Rule 1207(19) of the SGX-ST Listing Manual which provides guidance on dealing in the Company's shares. Circulars are issued to all Directors and employees of the Group to remind them of, inter alia, laws against insider trading and the importance of not dealing in the shares of the Company on short term consideration and during the "prohibitive periods" commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year and within one month prior to the announcement of the Company's full year financial statements.

SUSTAINABILITY

As a leading property developer, the Group remains committed in conducting all its operations in a sustainable manner. The Group will publish its first Sustainability Report based on SGX's Sustainability Reporting Guide by 2018.

The Group is faced with a wide range of issues that we could report on, however the robust materiality process we undertook to shortlist our material issues ensures that we focus on the issues that matter most to our stakeholders. Material issues are factors that could potentially influence our ability to deliver on our strategic objectives and create value for our stakeholders. We have determined UIC's key environmental, social and governance ("ESG") issues by conducting a materiality assessment workshop facilitated by an external sustainability consultant. This ensures that the report covers the topics that are of the greatest importance with regards to the company's business environment, the nature of its projects and operations, and their economic, environmental and social impacts.

ENVIRONMENT

Green Initiatives

The Group supports Green initiatives and exhorts staff members to be environmentally friendly by saving electricity and water, and recycling for planet preservation. The Group consistently incorporates and reviews energy efficient designs in its current and new developments. Electricity consumption efficiency has improved with the engagement of an energy audit expert. Older chillers are upgraded with newer energy-efficient ones when they approach the end of useful life. Additional initiatives include installing water-saving fittings in restrooms, using energy-saving light bulbs, providing recycling bins in the office lobbies and shopping malls, and recycling of used envelopes for internal communications.

Environmentally Friendly Developments

On new technologies, we have now completed six months of construction for the residential project, The

Clement Canopy, using the Prefabricated Prefinished Volumetric Construction method. We have seen many benefits concerning safety of construction work whereby much of the work is carried out in a factory-like environment reducing impacts of construction on the environment. The adoption of this innovative and efficient construction method has put the Group as the front-runner in the property development industry. Our objective is building good quality homes in safer and more efficient conditions.

PEOPLE

Work-Place Health Programme

The Group continues to provide its employees with a working environment with a view of encouraging a positive work-life balance. Employee Wellness Initiatives contribute to a motivated, healthier and more engaged workforce. Employees attended Workplace Health Programme's lunch-time talks and activities as well as participated in public walks and runs. Activities such as Corporate Steps Challenges and Amazing Race were organised to encourage employees to walk regularly. Health Screenings were organised on-site as part of national efforts to encourage employees to be pro-active in managing their health. The Group arranged with the Institute for Financial Literacy to give complimentary financial literacy talks to our staff to help them better manage their income and spending. Two talks, "Budgeting I" and "Budgeting II", were organised.

Work-Place Safety

The Group instils safety and health consciousness in its employees besides providing a safe and healthy work environment. The Group reviews its safety procedures in its "Occupational Health and Safety Manual" and adopts best industry practices. The Company Emergency Response Team is in place in various buildings to readily respond in event of a crisis or emergency. The Group fully supports employees to attend courses on workplace safety and health. Regular fire evacuation exercises are conducted. For project management, contracting partners present safety reports and address safety

SUSTAINABILITY

issues. Risk factors are identified to ensure that all control measures are implemented prior to any work activity. We are committed to maintain good safety record at our development projects, with accident frequency rate and accident severity rate having been reduced to 0.2 and 2.1 respectively in 2017. We will continue to work closely with our business partners to strive to achieve a workplace with zero incidences in 2018.

Whistle-Blowing Policy

The Group's whistle-blowing policy has been communicated to our staff. The policy provides a well-defined channel for reporting on any case(s) of suspected improper conduct by any employees of the Group. Appropriate investigations will be carried out with remedial actions taken where warranted.

COMMUNITY AND SOCIETY

Community Involvement

The group remains committed in supporting the community. Our initiatives include financial contributions, in-kind donations, and volunteer works. Staff members brought joy and cheer to senior residents at Kwong Wai Shiu Hospital. We continued to partner with Willing Hearts for the preparation of food for the needy. We have formed partnerships for events with the Very Special Arts Singapore, the Metta School and the Red Cross Society on the UIC-Red Cross Blood Donation Drive at Singapore Land Tower.

CORPORATE INFORMATION

Board of Directors	Board appointment	Date of initial appointment	Date of last re-election
Wee Cho Yaw	Non-Executive Chairman	26.06.92	28.04.17
John Gokongwei, Jr.	Non-Executive Deputy Chairman	27.07.99	22.04.16
Lim Hock San	President & Chief Executive Officer	01.04.92	28.04.17
Antonio L. Go	Non-Executive and Independent Director	25.04.07	22.04.16
James L. Go	Non-Executive Director	28.05.99	22.04.16
Lance Yu Gokongwei	Non-Executive Director	28.05.99	28.04.17
Gwee Lian Kheng	Non-Executive Director	28.05.99	22.04.16
Hwang Soo Jin	Non-Executive and Independent Director	31.01.03	22.04.16
Wee Ee Lim	Non-Executive Director	28.05.99	22.04.16
Yang Soo Suan	Non-Executive and Independent Director	27.04.12	22.04.16
Alvin Yeo Khirn Hai	Non-Executive and Independent Director	11.09.02	28.04.17
Francis Lee Seng Wee	Non-Executive and Independent Director	12.03.18	–
Chng Hwee Hong	Non-Executive and Independent Director	23.03.18	–

Audit Committee

Yang Soo Suan	Chairman
James L. Go	Member
Alvin Yeo Khirn Hai	Member
Hwang Soo Jin	Member

Nominating Committee

Hwang Soo Jin	Chairman
Wee Cho Yaw	Member
James L. Go	Member
Yang Soo Suan	Member
Antonio L. Go	Member

Remuneration Committee

Alvin Yeo Khirn Hai	Chairman
Wee Cho Yaw	Member
James L. Go	Member
Hwang Soo Jin	Member
Antonio L. Go	Member

Acting Company Secretary

Teo Hwee Ping

Auditors

PricewaterhouseCoopers LLP
7 Straits View, Marina One, East Tower, Level 12
Singapore 018936
Audit Partner: Choo Eng Beng
(appointed with effect from financial year 2013)

Share Registrars

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333 North Bridge Road #08-00
KH KEA Building
Singapore 188721
Telephone: 6837 2133
Facsimile: 6339 0218

Registered Office

24 Raffles Place #22-01/06
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Telephone: 6220 1352
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Website: www.uic.com.sg

Company Registration Number

196300181E

FINANCIAL REPORT



CONTENTS

51	Directors' Statement
57	Independent Auditor's Report
63	Consolidated Income Statement
64	Consolidated Statement of Comprehensive Income
65	Statements of Financial Position
66	Consolidated Statement of Changes in Equity
67	Consolidated Statement of Cash Flows
69	Notes to the Financial Statements

DIRECTORS' STATEMENT

For the financial year ended 31 December 2017

The directors present their statement to the members together with the audited financial statements of the Company and its subsidiary companies (the "Group") for the financial year ended 31 December 2017 and the statement of financial position of the Company as at 31 December 2017.

In the opinion of the directors,

- (a) the statement of financial position of the Company and the consolidated financial statements of the Group as set out on pages 63 to 133 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2017 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

DIRECTORS

The directors of the Company in office at the date of this statement are as follows:

Wee Cho Yaw	(Chairman)
John Gokongwei, Jr.	(Deputy Chairman)
Lim Hock San	(President and Chief Executive Officer)
Antonio L. Go	
James L. Go	
Lance Yu Gokongwei	
Gwee Lian Kheng	
Hwang Soo Jin	
Wee Ee Lim	
Yang Soo Suan	
Alvin Yeo Khirn Hai	

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than as disclosed under "Share options" in this statement.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2017

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

- (a) According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in name of director or nominee		Holdings in which director is deemed to have an interest	
	At 31.12.2017	At 1.1.2017	At 31.12.2017	At 1.1.2017
United Industrial Corporation Limited ("UIC")				
(Ordinary shares)				
Wee Cho Yaw	–	1,891,719	713,750,050	702,492,283
John Gokongwei, Jr.	–	–	530,727,364	525,455,238
Lim Hock San	125,863	125,636	–	–
Hwang Soo Jin	–	302,839	–	–
Gwee Lian Kheng	–	–	–	70,640

- (b) By virtue of Section 7 of the Singapore Companies Act, Cap. 50, Dr John Gokongwei, Jr., who by virtue of his interest of not less than 20% of the issued share capital of the Company, is also deemed to have an interest in the shares of the subsidiary companies held by the Company.
- (c) According to the register of directors' shareholdings, the following director holding office at the end of the financial year had an interest in options to subscribe for ordinary shares of the Company granted pursuant to the UIC Share Option Scheme:

	No. of unissued ordinary shares of the Company under option	
	At 31.12.2017	At 1.1.2017
Lim Hock San	970,000	1,170,000

- (d) There was no change in any of the above-mentioned directors' interests between the end of the financial year and 21 January 2018.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2017

SHARE OPTIONS

UIC SHARE OPTION SCHEME

- (a) The UIC Share Option Scheme ("ESOS") to subscribe for ordinary shares of the Company was approved by the shareholders of the Company on 18 May 2001. The extension of the duration of ESOS for a further period of 10 years to 17 May 2021 was approved by the shareholders at the annual general meeting held on 27 April 2011. Other than the aforesaid extension, there has been no change in any other rule of the ESOS. The ESOS is administered by the Remuneration Committee ("RC") comprising the following members:

Alvin Yeo Khirn Hai	Chairman	(Independent)
Wee Cho Yaw	Member	(Non-independent)
James L. Go	Member	(Non-independent)
Hwang Soo Jin	Member	(Independent)
Antonio L. Go	Member	(Independent)

Under the terms of the ESOS, the total number of shares granted shall not exceed 5% of the issued share capital of the Company on the day immediately preceding the offer date of the ESOS. The exercise price is equal to the average of the last done prices per share of the Company's ordinary shares on the Singapore Exchange Securities Trading Limited ("SGX-ST") for five market days immediately preceding the date of the offer.

- (b) The aggregate number of options granted to Lim Hock San as executive director and key executives of the Company and its subsidiary companies since the initial grant of options on 5 March 2007 up to 31 December 2017 is 10,218,000.

Details of the options granted for financial years from 2007 up to 2016 have been set out in the Directors' Report/Statement for the respective financial years.

On 27 February 2017, the Company granted options to subscribe for 526,000 shares at an exercise price of \$2.91 per ordinary share ("2017 Options").

The details of the 2017 Options granted are as follows:

	Number of employees	At exercise price of \$2.91 per share
Executive Director, Lim Hock San	1	100,000
Key Executives	12	426,000
	13	526,000

DIRECTORS' STATEMENT

For the financial year ended 31 December 2017

SHARE OPTIONS (continued)

UIC SHARE OPTION SCHEME (continued)

(c) Principal terms of the ESOS are set out below:

- (i) only full time confirmed executives of the Company or any of its subsidiary companies (including executive directors) are eligible for the grant of options;
- (ii) the ESOS shall be in force at the discretion of the RC subject to a maximum period of 10 years and may be extended with the approval of the shareholders;
- (iii) all options granted shall be exercisable, in whole or in part (only in respect of 1,000 shares or any multiple thereof), before the tenth anniversary of the Offer Date and in accordance with the following vesting schedule:

Vesting schedule	Percentage of shares over which options are exercisable
On or after the second anniversary of the Offer Date	50%
On or after the third anniversary of the Offer Date	25%
On or after the fourth anniversary of the Offer Date	25%

The vesting and exercising of vested or unexercised options are governed by conditions set out in the ESOS; and

- (iv) participants in the ESOS, shall not, except with the prior approval of the RC in its absolute discretion, be entitled to participate in any other share option schemes or share incentive schemes implemented by companies within or outside the Group. The settlement of options is subject to conditions as set out in the ESOS.

(d) Other information required by SGX-ST:

- (i) The details of options granted to an executive director of the Company, Lim Hock San, under the ESOS are as follows:

Granted in the financial year ended 31.12.2017	Aggregate granted since commencement of ESOS to 31.12.2017	Aggregate exercised since commencement of ESOS to 31.12.2017	Aggregate expired since commencement of ESOS to 31.12.2017	Aggregate outstanding as at 31.12.2017
100,000	1,370,000	100,000	300,000	970,000

- (ii) No options have been granted to controlling shareholders or their associates and no participant has received 5% or more of the total options available under the ESOS. No options were granted at a discount during the financial year.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2017

SHARE OPTIONS (continued)

UIC SHARE OPTION SCHEME (continued)

(e) During the financial year, 565,000 shares of the Company were issued upon the exercise of options as follows:

By holders of	Number of shares	Exercise price per share
2007 Options	6,000	\$2.70
2010 Options	24,000	\$2.03
2011 Options	209,000	\$2.78
2012 Options	145,000	\$2.73
2013 Options	116,000	\$2.91
2014 Options	65,000	\$3.15
	565,000	

(f) As at the end of the financial year, the following options to acquire ordinary shares in the Company were outstanding:

Date of grant of options	Options outstanding at 1.1.2017	Options granted in 2017	Options exercised	Options cancelled/expired	Options outstanding at 31.12.2017	Exercise price per share	Date of expiry
5.3.2007	352,000	–	(6,000)	(346,000)	–	\$2.70	4.3.2017
10.3.2008	150,000	–	–	–	150,000	\$2.91	9.3.2018
26.2.2010	124,000	–	(24,000)	–	100,000	\$2.03	25.2.2020
1.3.2011	417,000	–	(209,000)	–	208,000	\$2.78	28.2.2021
27.2.2012	444,000	–	(145,000)	(90,000)	209,000	\$2.73	26.2.2022
22.2.2013	581,000	–	(116,000)	(90,000)	375,000	\$2.91	21.2.2023
3.3.2014	524,000	–	(65,000)	(73,000)	386,000	\$3.15	2.3.2024
26.2.2015	516,000	–	–	(100,000)	416,000	\$3.54	25.2.2025
1.3.2016	598,000	–	–	(118,000)	480,000	\$2.92	28.2.2026
27.2.2017	–	526,000	–	(60,000)	466,000	\$2.91	26.2.2027
	3,706,000	526,000	(565,000)	(877,000)	2,790,000		

DIRECTORS' STATEMENT

For the financial year ended 31 December 2017

AUDIT COMMITTEE

The Audit Committee comprises four non-executive directors, majority of whom including the Chairman, are independent directors. They are:

Yang Soo Suan	Chairman	(Independent)
James L. Go	Member	(Non-independent)
Hwang Soo Jin	Member	(Independent)
Alvin Yeo Khirn Hai	Member	(Independent)

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act. At a series of meetings convened during the twelve months prior to the date of this statement, the Audit Committee reviewed:

- the scope and the results of internal audit procedures with the internal auditor;
- the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;
- the assistance given by the Company's management to the independent auditor; and
- the announcements of quarterly and full year results, the financial statements of the Group and the Independent Auditor's Report thereon for the full year prior to consideration and approval of the Board of Directors.

The Audit Committee has recommended to the Board of Directors the re-appointment of PricewaterhouseCoopers LLP as independent auditor of the Company at the forthcoming Annual General Meeting of the Company.

INDEPENDENT AUDITOR

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept re-appointment.

On behalf of the directors

WEE CHO YAW
Director

LIM HOCK SAN
Director

23 February 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UNITED INDUSTRIAL CORPORATION LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the accompanying consolidated financial statements of United Industrial Corporation Limited ("the Company") and its subsidiaries ("the Group") and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ("the Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

What we have audited

The financial statements of the Company and the Group comprise:

- the consolidated income statement of the Group for the year ended 31 December 2017;
- the consolidated statement of comprehensive income of the Group for the year then ended;
- the statements of financial position of the Group and of the Company as at 31 December 2017;
- the consolidated statement of changes in equity of the Group for the year then ended;
- the consolidated statement of cash flows of the Group for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

Independence

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UNITED INDUSTRIAL CORPORATION LIMITED

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year ended 31 December 2017. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter

How our audit addressed the Key Audit Matter

Valuation of investment properties

Refer to Note 3(i) (Critical accounting estimates, assumptions and judgements) and Note 16 (Investment properties) to the financial statements.

As at 31 December 2017, the carrying value of the Group's investment properties stated at fair value based on independent external valuation of \$6.2 billion, accounted for 75% of the Group's total assets.

The valuation of the investment properties was significant to our audit due to the use of estimates in the valuation techniques and valuation is highly judgemental and is based on certain key assumptions. The key assumptions include adjusted valuation per square feet, estimated rental rates and capitalisation rates and are dependent on the nature of each investment property and the prevailing market conditions.

Our audit procedures focused on the valuation process and included the following:

- assessed the competency and independence of the professional valuers engaged by the Group;
- discussed the key assumptions and critical judgemental areas with the professional valuers and understood the approaches taken by them in determining the valuation of each investment property;
- checked, on a sample basis, the accuracy of underlying lease and financial information provided to the valuers; and
- assessed the reasonableness of the adjusted valuation per square feet and capitalisation rates by benchmarking the rates against specific property data, comparables and prior year inputs.

We have also assessed the appropriateness of the disclosures relating to the valuation techniques and key inputs applied by the professional valuers.

The external valuers are members of recognised professional bodies for valuers. We found that the valuation methodologies used were in line with generally accepted market practices and the key assumptions used were within the range of market data. We also found the disclosures in the financial statements to be appropriate.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UNITED INDUSTRIAL CORPORATION LIMITED

Key Audit Matter

Assessment of allowance for foreseeable losses for properties held for sale

Refer to Note 3(iii) (Critical accounting estimates, assumptions and judgements) and Note 19 (Properties held for sale) to the financial statements.

As at 31 December 2017, the carrying value of the Group's properties held for sale of \$337 million, accounted for 4% of the Group's total assets. This included an allowance for foreseeable losses on properties held for sale of \$3.7 million as at 31 December 2017.

The determination of carrying value and whether to recognise any impairment charge for properties held for sale is highly dependent on the estimated development cost of each development project and the estimated selling prices.

Significant management estimation uncertainty is involved in estimating the cost of each development. Management also utilised a number of different assumptions which were highly subjective to determine the estimated selling prices which were impacted by market demand for properties and local government policies. These estimation and assumptions impact the carrying value of properties held for sale.

How our audit addressed the Key Audit Matter

In assessing the allowance for foreseeable losses for properties held for sale, we focused on development projects with slower than expected sales or low margins.

Our audit procedures to assess the adequacy of management's estimated development costs and the reasonableness of the assumptions used included the following:

- compared actual costs incurred against underlying contracts with vendors and supporting documents;
- assessed the reasonableness of cost by substantiating costs that have been committed to quotations from and contracts with suppliers;
- discussed with project managers the basis for the estimated costs and challenged the underlying assumptions by benchmarking against the Group's past projects; and
- evaluated the competency and capabilities of the quantity surveyor used by management for the certification of proportion of construction costs.

We also challenged management's key assumptions relating to the estimated selling prices by comparing against comparable market data and market price trends, taking into consideration the economic conditions in the respective countries where the Group has properties held for sale. We have evaluated the sensitivity of the margins to changes in sales prices.

The evidence we obtained from performing our procedures indicated that management's estimates and assumptions were reasonable.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UNITED INDUSTRIAL CORPORATION LIMITED

Other Information

Management is responsible for the other information. The other information comprises the Group Financial Highlights, Chairman's Statement, Board of Directors, Management Review, Property Summary, Corporate Governance Report, Sustainability, Corporate Information, Directors' Statement and Five Year Summary but excludes the financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and Statistics of Shareholdings, which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Statistics of Shareholdings, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UNITED INDUSTRIAL CORPORATION LIMITED

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UNITED INDUSTRIAL CORPORATION LIMITED

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

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Choo Eng Beng.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore, 23 February 2018

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2017

	Note	2017 \$'000	2016 \$'000
Revenue	4	1,292,169	1,036,584
Cost of sales	5	(850,816)	(678,705)
Gross profit		441,353	357,879
Investment income	6	4,438	4,067
Other gains		3,064	4,074
Other losses	7	(15,513)	(1,104)
Selling and distribution costs		(53,514)	(28,032)
Administrative expenses		(29,357)	(26,909)
Finance expenses		(11,679)	(9,204)
Profit before share of results of associated companies and joint ventures		338,792	300,771
Share of results of associated companies		31,952	26,045
Share of results of joint ventures		33,577	1,121
Fair value (loss)/gain on investment properties	16	(29,717)	278
Profit before income tax	7	374,604	328,215
Income tax expense	8	(49,739)	(49,560)
Net profit		324,865	278,655
Profit/(Loss) attributable to:			
Equity holders of the Company	9	301,461	286,045
Non-controlling interests		23,404	(7,390)
		324,865	278,655
Basic/Diluted earnings per share attributable to equity holders of the Company (expressed in cents per share)	10	21.1 cents	20.2 cents

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2017

	2017 \$'000	2016 \$'000
Net profit	324,865	278,655
Other comprehensive (expense)/income items that may be reclassified subsequently to income statement:		
Net currency translation differences of financial statements of foreign entities	(3,201)	(11,997)
Share of other comprehensive income of a joint venture	381	–
	(2,820)	(11,997)
Total comprehensive income	322,045	266,658
Total comprehensive income/(expense) attributable to:		
Equity holders of the Company	298,987	275,282
Non-controlling interests	23,058	(8,624)
	322,045	266,658

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2017

	Note	The Group		The Company	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
ASSETS					
Non-current assets					
Other receivables	11	187,054	109,745	–	–
Available-for-sale financial assets	12	6,365	9,295	–	–
Investments in associated companies	13	568,024	547,461	–	–
Investments in joint ventures	14	66,576	77,749	–	–
Investments in subsidiary companies	15	–	–	1,227,768	1,228,307
Investment properties	16	6,160,900	6,175,900	–	–
Property, plant and equipment	17	453,559	469,861	279	332
		7,442,478	7,390,011	1,228,047	1,228,639
Current assets					
Cash and cash equivalents	18	177,381	86,508	1,152	866
Properties held for sale	19	336,537	1,069,731	–	–
Trade and other receivables	20	299,025	73,287	1,669,434	1,833,440
Inventories		3,730	2,266	–	–
		816,673	1,231,792	1,670,586	1,834,306
Total assets		8,259,151	8,621,803	2,898,633	3,062,945
LIABILITIES					
Current liabilities					
Trade and other payables	21	221,837	187,712	401,143	210,507
Current income tax liabilities	8	42,355	46,345	–	–
Borrowings	22	51,786	1,229,148	50,966	913,526
		315,978	1,463,205	452,109	1,124,033
Non-current liabilities					
Trade and other payables	21	54,832	56,781	1,624	1,624
Borrowings	22	479,130	12,480	467,650	–
Deferred income tax liabilities	23	64,597	54,275	–	–
		598,559	123,536	469,274	1,624
Total liabilities		914,537	1,586,741	921,383	1,125,657
NET ASSETS		7,344,614	7,035,062	1,977,250	1,937,288
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	24	1,564,282	1,525,315	1,564,282	1,525,315
Reserves		4,963,242	4,706,632	412,968	411,973
		6,527,524	6,231,947	1,977,250	1,937,288
Non-controlling interests		817,090	803,115	–	–
TOTAL EQUITY		7,344,614	7,035,062	1,977,250	1,937,288

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2017

	Attributable to equity holders of the Company					Non-controlling interests	Total equity
	Share capital	Retained earnings	Asset revaluation reserve	Other reserves	Total		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2017							
Beginning of financial year	1,525,315	4,648,900	40,441	17,291	6,231,947	803,115	7,035,062
Net profit	–	301,461	–	–	301,461	23,404	324,865
Other comprehensive expense	–	–	–	(2,474)	(2,474)	(346)	(2,820)
Total comprehensive income/(expense)	–	301,461	–	(2,474)	298,987	23,058	322,045
Employee share option scheme							
– value of employee services	–	–	–	199	199	–	199
– proceeds from shares issued	1,583	–	–	–	1,583	–	1,583
Issue of shares pursuant to scrip dividend scheme	37,384	–	–	–	37,384	–	37,384
Dividends paid							
– in cash	–	(5,192)	–	–	(5,192)	(8,848)	(14,040)
– in scrip	–	(37,384)	–	–	(37,384)	–	(37,384)
Liquidation of a subsidiary company	–	–	–	–	–	(235)	(235)
Total transactions with owners, recognised directly in equity	38,967	(42,576)	–	199	(3,410)	(9,083)	(12,493)
End of financial year	1,564,282	4,907,785	40,441	15,016	6,527,524	817,090	7,344,614
2016							
Beginning of financial year	1,486,638	4,404,763	40,437	27,629	5,959,467	821,552	6,781,019
Net profit/(loss)	–	286,045	–	–	286,045	(7,390)	278,655
Other comprehensive expense	–	–	–	(10,763)	(10,763)	(1,234)	(11,997)
Total comprehensive income/(expense)	–	286,045	–	(10,763)	275,282	(8,624)	266,658
Employee share option scheme							
– value of employee services	–	–	–	424	424	–	424
– proceeds from shares issued	60	–	–	–	60	–	60
Issue of shares pursuant to scrip dividend scheme	38,617	–	–	–	38,617	–	38,617
Effect of acquisition of shares from non-controlling shareholders	–	243	4	1	248	(703)	(455)
Dividends paid							
– in cash	–	(3,534)	–	–	(3,534)	(9,110)	(12,644)
– in scrip	–	(38,617)	–	–	(38,617)	–	(38,617)
Total transactions with owners, recognised directly in equity	38,677	(41,908)	4	425	(2,802)	(9,813)	(12,615)
End of financial year	1,525,315	4,648,900	40,441	17,291	6,231,947	803,115	7,035,062

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2017

	Note	2017 \$'000	2016 \$'000
Cash flows from operating activities			
Profit before income tax		374,604	328,215
Adjustments for:			
Depreciation of property, plant and equipment (Write-back of allowance)/Allowance for foreseeable losses on properties held for sale		22,594	24,068
Employee share option expense		(29,300)	18,900
Loss on disposal of property, plant and equipment		199	424
Share of results of associated companies		374	120
Share of results of joint ventures		(31,952)	(26,045)
Fair value loss/(gain) on investment properties		(33,577)	(1,121)
Investment income		29,717	(278)
Interest expense		(4,438)	(4,067)
Unrealised currency translation differences		11,679	9,204
		(172)	(1,467)
		339,728	347,953
Change in working capital:			
Properties held for sale		578,786	(6,138)
Inventories		(1,464)	441
Trade and other receivables		(37,321)	(23,654)
Trade and other payables		32,335	(9,061)
Cash generated from operations		912,064	309,541
Interest paid		(16,108)	(23,685)
Income tax paid		(43,361)	(44,245)
Net cash provided by operating activities		852,595	241,611
Cash flows from investing activities			
Purchase of property, plant and equipment		(7,753)	(5,941)
Proceeds from disposal of property, plant and equipment		9	2
Upgrading of investment properties		(10,842)	(15,641)
Redevelopment of an investment property		(2,815)	(60,889)
Proceeds from liquidation of an associated company		-	1,252
Final distribution to non-controlling shareholders upon liquidation of a subsidiary company		(235)	-
Loans to joint ventures		(73,455)	(93,191)
Repayment of loans by joint ventures		-	85,975
Investments in joint ventures		(2,000)	(23,312)
Dividends received from unquoted equity investments		2,930	2,888
Dividends received from associated companies		9,324	12,460
Dividends received from joint ventures		47,500	33,000
Interest received		733	6,528
Net cash used in investing activities		(36,604)	(56,869)

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2017

	Note	2017 \$'000	2016 \$'000
Cash flows from financing activities			
Repayment of borrowings		(1,180,261)	(264,425)
Proceeds from borrowings		470,000	97,176
Bank facility fees paid		(2,400)	–
Decrease in bank deposits pledged as security		–	9,820
Proceeds from issuance of shares		1,583	60
Acquisition of shares from non-controlling shareholders		–	(455)
Dividends paid to equity holders of the Company		(5,192)	(3,534)
Dividends paid to non-controlling interests		(8,848)	(9,110)
Net cash used in financing activities		(725,118)	(170,468)
Net increase in cash and cash equivalents			
Cash and cash equivalents at beginning of financial year		86,508	72,234
Cash and cash equivalents at end of financial year	18	177,381	86,508

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. GENERAL INFORMATION

United Industrial Corporation Limited (the "Company") is listed on the Singapore Exchange and incorporated and domiciled in Singapore. The address of its registered office is 24 Raffles Place #22-01/06, Clifford Centre, Singapore 048621.

The principal activity of the Company is that of an investment holding company.

The principal activities of its subsidiary companies consist of development of properties for investment and trading, investment holding, property management, investment in hotels and retail centres, trading in computers and related products, and provision of information technology services.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements are prepared in accordance with Singapore Financial Reporting Standards ("FRS") under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Interpretations and amendments to published standards effective in 2017

On 1 January 2017, the Group adopted the new or amended FRS and Interpretations of FRS ("INT FRS") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the accounting policies of the Group and the Company and had no material effect on the amounts reported for the current or prior financial years except for FRS 7 *Statement of Cash Flows*. The amendments to FRS 7 *Statement of Cash Flows (Disclosure initiative)* sets out required disclosures that enable users of the financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Group has included the additional required disclosures.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group's activities. Revenue is presented, net of goods and services tax ("GST"), rebates and discounts, and after eliminating revenue within the Group.

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

(a) *Revenue from property investments*

Rental revenue from operating leases (net of any incentives given to the lessees) on investment properties is recognised on a straight-line basis over the lease term.

Car parking revenue is recognised on a straight-line basis based on time proportion.

(b) *Revenue from property trading - sale of properties held for sale*

Revenue from sale of properties held for sale in respect of sale and purchase agreements entered into prior to completion of construction is recognised when the properties are delivered to the buyers, except for in cases where the control and risk and rewards of the property are transferred to the buyers as construction progresses.

For sales of uncompleted residential properties made with a progressive payment scheme in Singapore, the transfer of significant risks and rewards of ownership occurs in the current state as construction progresses. Revenue is recognised by reference to the stage of completion using the percentage of completion method, measured by reference to the physical survey of construction work completed.

For sales of overseas development properties, such transfer generally occurs when the property units are completed and delivered to the purchasers. Revenue is recognised upon completion of construction.

(c) *Revenue from hotel operations*

Revenue from the rental of hotel rooms and other facilities is recognised when the services are rendered. Revenue from the sale of food and beverage is recognised when the goods are delivered to the customer. Revenue from other hotel related services and service charges are recognised when the services are rendered.

(d) *Revenue from technology operations*

Revenue from sale of computer hardware and software is recognised when the Group has transferred significant risks and rewards of ownership of the products to the customer on delivery and the customer has accepted the products. Revenue from the rendering of services is recognised when the service is rendered, by reference to completion of specific transaction assessed on the basis of the actual service provided as a proportion to the total services to be performed.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Revenue recognition (continued)

(e) *Others - property services fees*

Property services fees are recognised when the services are rendered.

(f) *Interest income*

Interest income is recognised using the effective interest method.

(g) *Dividend income*

Dividend income is recognised when the right to receive payment is established.

2.3 Group accounting

(a) *Subsidiary companies*

(i) *Consolidation*

Subsidiary companies are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiary companies are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on that control ceases.

In preparing the consolidated financial statements, intercompany transactions and balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of the transferred asset. Accounting policies of subsidiary companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests comprise the portion of a subsidiary company's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of financial position. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary company, even if this results in the non-controlling interests having a deficit balance.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Group accounting (continued)

(a) *Subsidiary companies (continued)*

(ii) *Acquisitions*

The acquisition method of accounting is used to account for business combinations entered into by the Group.

The consideration transferred for the acquisition of a subsidiary company or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary company measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (b) fair value of the identifiable net assets acquired is recorded as goodwill. Please refer to the paragraph "Goodwill on acquisitions" for the subsequent accounting policy on goodwill.

(iii) *Disposals*

When a change in the Group's ownership interest in a subsidiary company results in a loss of control over the subsidiary company, the assets and liabilities of the subsidiary company including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to income statement or transferred directly to retained earnings if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in income statement.

Please refer to the paragraph "Investments in subsidiary and associated companies, and joint ventures" for the accounting policy on investments in subsidiary companies in the separate financial statements of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Group accounting (continued)

(b) *Transactions with non-controlling interests*

Changes in the Group's ownership interest in a subsidiary company that do not result in a loss of control over the subsidiary company are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

(c) *Associated companies and joint ventures*

Associated companies are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to voting rights of 20% and above but not exceeding 50%. Joint ventures are entities over which the Group has joint control as a result of contractual arrangements, and rights to the net assets of the entities. Investments in associated companies and joint ventures are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

(i) *Acquisitions*

Investments in associated companies and joint ventures are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on associated companies and joint ventures represents the excess of the cost of acquisition of the associated company or joint venture over the Group's share of the fair value of the identifiable net assets of the associated company or joint venture and is included in the carrying amount of the investments.

(ii) *Equity method of accounting*

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of its associated companies' or joint ventures' post-acquisition profits or losses of the investee in income statement and its share of movements in other comprehensive income of the investee's other comprehensive income. Dividends received or receivable from the associated companies or joint ventures are recognised as a reduction of the carrying amount of the investments. When the Group's share of losses in an associated company or joint venture equals to or exceeds its interest in the associated company or joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations to make, or has made, payments on behalf of the associated company or joint venture. If the associated company or joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Group accounting (continued)

(c) *Associated companies and joint ventures (continued)*

(ii) *Equity method of accounting (continued)*

Unrealised gains on transactions between the Group and its associated companies or joint ventures are eliminated to the extent of the Group's interest in the associated companies or joint ventures. Unrealised losses are also eliminated unless the transactions provide evidence of impairment of the assets transferred. Where necessary, adjustments are made to the financial statements of associated companies or joint ventures to ensure consistency of accounting policies adopted by the Group.

(iii) *Disposals*

Investments in associated companies or joint ventures are derecognised when the Group loses significant influence or joint control. If the retained equity interest in the former associated company or joint venture is a financial asset, the retained equity interest is remeasured at its fair value. The difference between the carrying amount of the retained interest at the date when significant influence or joint control is lost, and its fair value and any proceeds on partial disposal is recognised in income statement.

Please refer to the paragraph "Investments in subsidiary and associated companies, and joint ventures" for the accounting policy on investments in associated companies and joint ventures in the separate financial statements of the Company.

2.4 Property, plant and equipment

(a) *Measurement*

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Property, plant and equipment (continued)

(b) *Depreciation*

Renovations in progress are not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	<u>Useful lives</u>
Leasehold land and building	45 – 93 years
Plant and machinery	10 – 15 years
Furniture, fittings and office equipment	5 – 13 years
Motor vehicles	5 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each statement of financial position date. The effects of any revision are recognised in income statement when the changes arise.

(c) *Subsequent expenditure*

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in income statement when incurred.

(d) *Disposal*

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in income statement.

2.5 Goodwill on acquisitions

Goodwill on acquisitions of subsidiary companies and businesses represents the excess of (a) the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (b) the fair value of the identifiable net assets acquired. Goodwill on subsidiary companies is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Goodwill on acquisitions of joint ventures and associated companies represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable net assets acquired. Goodwill on associated companies and joint ventures is included in the carrying amount of the investments.

Gains and losses on the disposal of subsidiary and associated companies, and joint ventures include the carrying amount of goodwill relating to the entity sold.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Borrowing costs

Borrowing costs are recognised in income statement using the effective interest method except for those costs that are directly attributable to the construction or development of properties. This includes those costs on borrowings acquired specifically for the construction or development of properties, as well as those in relation to general borrowings used to finance the construction or development of properties.

The actual borrowing costs incurred during the period up to the issuance of the temporary occupation permit less any investment income on temporary investment of these borrowings, are capitalised in the cost of the properties held for sale and investment properties. Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to construction or development expenditures that are financed by general borrowings.

2.7 Properties held for sale

Properties held for sale are those which are intended for sale in the ordinary course of business. Properties held for sale which are unsold are carried at the lower of cost and estimated net realisable value. Cost of properties held for sale includes land, construction and related development costs and interest on borrowings obtained to finance the purchase and construction of the properties. Net realisable value represents the estimated selling price in the ordinary course of business less costs to complete the development and selling expenses.

Singapore properties held for sale made with a progressive payment scheme are stated at cost plus attributable profits/losses less progress billings. The aggregated costs incurred and the profit/loss recognised in each development property that has been sold are compared against progress billings up to the statement of financial position date. Progress billings not yet paid by customers are included within "trade and other receivables". Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as due to customers on development projects, under "trade and other payables".

Overseas properties held for sale are stated at cost and payments received from purchasers prior to completion are included in current liabilities as "monies received in advance".

When it is probable that the total development costs will exceed the total revenue, the expected loss is recognised as an expense immediately.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Investment properties

Investment properties of the Group, principally comprising office buildings, are held for long-term rental yields and capital appreciation. Investment properties include properties that are being constructed or developed for future use as investment properties.

Investment properties are initially recognised at cost and subsequently carried at fair value, determined by independent professional valuers on the highest and best use basis. Changes in fair values are recognised in income statement under "fair value gain/loss on investment properties".

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised. The cost of maintenance, repairs and minor improvements is recognised in income statement when incurred.

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in income statement.

2.9 Investments in subsidiary and associated companies, and joint ventures

Investments in subsidiary and associated companies, and joint ventures are carried at cost less accumulated impairment losses in the Company's statement of financial position. On disposal of such investments, the difference between net disposal proceeds and the carrying amounts of the investments are recognised in income statement.

2.10 Impairment of non-financial assets

(a) *Goodwill*

Goodwill recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units ("CGU") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Impairment of non-financial assets (continued)

- (b) *Intangible assets*
Property, plant and equipment
Investments in subsidiary and associated companies, and joint ventures

Intangible assets, property, plant and equipment and investments in subsidiary and associated companies, and joint ventures are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in income statement.

An impairment loss for an asset other than goodwill 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. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in income statement.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Financial assets

(a) *Classification*

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity, and available-for-sale financial assets. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and in the case of assets classified as held-to-maturity, re-evaluates this designation at each statement of financial position date.

(i) *Financial assets at fair value through profit or loss*

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the short term. Financial assets designated as at fair value through profit or loss at inception are those that are managed and their performances are evaluated on a fair value basis, in accordance with a documented Group investment strategy. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are presented as current assets if they are either held for trading or are expected to be realised within 12 months after the statement of financial position date.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the statement of financial position date which are presented as non-current assets. Loans and receivables are presented as "trade and other receivables" and "cash and cash equivalents" on the statement of financial position.

(iii) *Held-to-maturity financial assets*

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. They are presented as non-current assets, except for those maturing within 12 months after the statement of financial position date which are presented as current assets.

(iv) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless the investment matures or management intends to dispose of the assets within 12 months after the statement of financial position date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Financial assets (continued)

(b) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade date - the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in income statement. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to income statement.

(c) *Initial measurement*

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit and loss are recognised immediately as expenses.

(d) *Subsequent measurement*

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at fair value through profit or loss including the effects of currency translation, interest and dividends, are recognised in income statement when the changes arise.

Interest and dividend income on available-for-sale financial assets are recognised separately in income statement. Changes in the fair values of available-for-sale debt securities (i.e. monetary items) denominated in foreign currencies are analysed into currency translation differences on the amortised cost of the securities and other changes; the currency translation differences are recognised in income statement and the other changes are recognised in other comprehensive income and accumulated in the fair value reserve. Changes in the fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in other comprehensive income and accumulated in the fair value reserve, together with the related currency translation differences.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Financial assets (continued)

(e) *Impairment*

The Group assesses at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

(i) *Loans and receivables/Held-to-maturity financial assets*

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in income statement.

The impairment allowance is reduced through income statement in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

(ii) *Available-for-sale financial assets*

In addition to the objective evidence of impairment described in note 2.11(e)(i), a significant or prolonged decline in the fair value of an equity security below its cost is considered as an indicator that the available-for-sale financial asset is impaired.

If there is objective evidence of impairment, the cumulative loss that had been recognised in other comprehensive income is reclassified from equity to income statement. The amount of cumulative loss that is reclassified is measured as the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in income statement. The impairment losses recognised as an expense for an equity security are not reversed through income statement in subsequent period.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.13 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the statement of financial position date, in which case they are presented as non-current liabilities.

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.

2.14 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

2.15 Derivative financial instruments and hedging activities

A derivative financial instrument is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates each hedge as either: (a) fair value hedge; (b) cash flow hedge; or (c) net investment hedge. Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in income statement when the changes arise.

The Group documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategies for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives designated as hedging instruments are highly effective in offsetting changes in fair value or cash flows of the hedged items.

The carrying amount of a derivative designated as a hedge is presented as a non-current asset or liability if the remaining expected life of the hedged item is more than 12 months, and as a current asset or liability if the remaining expected life of the hedged item is less than 12 months. The fair value of a trading derivative is presented as a current asset or liability.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Derivative financial instruments and hedging activities (continued)

The Group has foreign currency borrowings that qualify as net investment hedges of foreign operations. The currency translation differences on the borrowings relating to the effective portion of the hedge are recognised in other comprehensive income in the consolidated financial statements, accumulated in the currency translation reserve and reclassified to income statement as part of the gain or loss on disposal of the foreign operation. The currency translation differences relating to the ineffective portion of the hedge are recognised immediately in income statement.

2.16 Fair value estimation of financial assets and liabilities

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the statement of financial position date. The quoted market prices used for financial assets are the current bid prices; the appropriate quoted market prices used for financial liabilities are the current asking prices.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions based on market conditions that are existing at each statement of financial position date. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as discounted cash flows analysis, are also used to determine the fair values of the financial instruments.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

2.17 Leases

(a) *Operating leases – when the Group is the lessee*

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in income statement on a straight-line basis over the period of the lease.

(b) *Operating leases – when the Group is the lessor*

Leases of investment properties where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in income statement on a straight-line basis over the lease term.

Contingent rents are recognised as income in income statement when earned.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined on a weighted average basis and includes all costs in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

2.19 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the statement of financial position date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiary and associated companies, and joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the statement of financial position date; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the statement of financial position date, to recover or settle the carrying amounts of its assets and liabilities except for investment properties. Investment property measured at fair value is presumed to be recovered entirely through sale.

Current and deferred income taxes are recognised as income or expense in income statement, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in income statement as finance expense.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in income statement when the changes arise.

2.21 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(a) *Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund. The Group has no further payment obligations once the contributions have been paid.

(b) *Share-based compensation*

The Group operates an equity-settled, share-based compensation plan. The value of the employee services received in exchange for the grant of options is recognised as an expense with a corresponding increase in the share option reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on grant date. Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to become exercisable on the vesting date. At each statement of financial position date, the Group revises its estimates of the number of shares under options that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in income statement, with a corresponding adjustment to the share option reserve over the remaining vesting period.

When the options are exercised, the proceeds received (net of transaction costs) are credited to share capital account, when new ordinary shares are issued.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in Singapore Dollars, which is the functional currency of the Company.

(b) *Transactions and balances*

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the statement of financial position date are recognised in income statement. However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

When a foreign operation is disposed of or any loan forming part of the net investment of the foreign operation is repaid, a proportionate share of the accumulated currency translation differences is reclassified to income statement, as part of the gain or loss on disposal.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

(c) *Translation of Group entities' financial statements*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities are translated at the closing exchange rates at the statement of financial position date;
- (ii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Currency translation (continued)

(c) *Translation of Group entities' financial statements (continued)*

- (iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to income statement on disposal or partial disposal of the entity giving rise to such reserve.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the statement of financial position date.

2.23 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to management who are responsible for allocating resources and assessing performance of the operating segments.

2.24 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are presented as current borrowings on the statement of financial position. For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

2.25 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

2.26 Dividends to Company's shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group on its own or in reliance on third party experts, applies estimates and judgements in the following key areas:

- (i) the determination of investment property values by independent professional valuers (note 2.8). The carrying amount of investment properties is disclosed in note 16;
- (ii) the estimation of the total development costs which affects revenue and cost of sales recognised based on the percentage of completion method. The stage of completion is measured by reference to the physical survey of construction work completed. The revenue from sale of properties held for sale using the percentage of completion method is disclosed in note 4;
- (iii) the assessment of impairment of properties held for sale (note 2.7). The carrying amount of properties held for sale under development is disclosed in note 19; and
- (iv) the assessment of adequacy of provision for income taxes (note 2.19). The carrying amounts of current income tax and deferred income tax are disclosed in notes 8 and 23 respectively.

4. REVENUE

	The Group	
	2017 \$'000	2016 \$'000
Revenue from property investments	281,303	285,166
Revenue from property trading	760,299	516,268
Revenue from hotel operations	149,114	145,924
Revenue from technology operations	99,223	88,201
Others	2,230	1,025
	1,292,169	1,036,584

Included in the 'Revenue from property trading' is an amount of \$752,514,000 (2016: \$489,735,000) recognised using the percentage of completion method.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

5. COST OF SALES

	The Group	
	2017	2016
	\$'000	\$'000
Cost of sales from property investments	74,084	70,416
Cost of sales from property trading	580,701	419,768
Cost of sales from hotel operations	105,314	108,382
Cost of sales from technology operations	90,374	79,860
Others	343	279
	850,816	678,705

6. INVESTMENT INCOME

	The Group	
	2017	2016
	\$'000	\$'000
Interest income from:		
– Bank deposits	810	401
– Amounts due from joint ventures	3,448	3,298
– Others	180	230
	4,438	3,929
Dividend income from unquoted equity investments	–	138
	4,438	4,067

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

7. PROFIT BEFORE INCOME TAX

The following items have been included in arriving at profit before income tax:

	The Group	
	2017 \$'000	2016 \$'000
Charging/(Crediting):		
Auditors' remuneration paid/payable to:		
– Auditor of the Company	690	790
– Other auditors *	96	108
Other fees paid/payable to auditor of the Company	142	160
Wages, salaries and other payroll-related costs	60,711	61,457
Employer's contribution to defined contribution plans	8,900	9,198
Share option expense	199	424
Total employee compensation	69,810	71,079
Rental expense – operating leases	879	908
Loss on disposal of property, plant and equipment (Write-back of allowance)/Allowance for foreseeable losses on properties held for sale	374	120
	(29,300)	18,900
Additional Buyer's Stamp Duty costs #	14,841	–
Depreciation of property, plant and equipment	22,594	24,068
Currency exchange loss/(gain) - net	70	(210)
Property tax	28,026	29,125
Utilities	14,195	13,985
Interest expense on loans	11,679	9,204
Cost of inventories recognised as an expense	100,507	89,907

Included in other losses.

* Includes the network of member firms of PricewaterhouseCoopers International Limited.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

8. INCOME TAXES

(a) *Income tax expense*

	The Group	
	2017 \$'000	2016 \$'000
Tax expense/(credit) attributable to profit is made up of:		
– Profit for the financial year:		
Current income tax (note (b))	41,410	44,537
Deferred income tax (note 23)	10,073	4,417
	51,483	48,954
– (Over)/Underprovision in prior financial years:		
Current income tax (note (b))	(2,030)	595
Deferred income tax (note 23)	286	11
	(1,744)	606
	49,739	49,560

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the Singapore standard rate of income tax as follows:

	The Group	
	2017 \$'000	2016 \$'000
Profit before income tax	374,604	328,215
Less:		
Share of results of associated companies	(31,952)	(26,045)
Share of results of joint ventures	(33,577)	(1,121)
	309,075	301,049
Tax calculated at a statutory tax rate of 17%	52,543	51,178
Effects of:		
– Different tax rates in other countries	(385)	(293)
– Singapore statutory tax exemption	(374)	(465)
– Tax incentives	(574)	(748)
– Expenses not deductible for tax purposes	10,138	8,333
– Income not subject to tax	(5,675)	(1,318)
– Utilisation of previously unrecognised deferred income tax assets	(7,089)	(8,141)
– Deferred income tax assets not recognised	2,899	408
– (Over)/Underprovision of tax in prior financial years	(1,744)	606
Tax charge	49,739	49,560

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

8. INCOME TAXES (continued)

(b) *Movements in current income tax liabilities*

	The Group	
	2017 \$'000	2016 \$'000
Beginning of financial year	46,345	45,486
Currency translation differences	(9)	(28)
Income tax paid	(43,361)	(44,245)
Tax expense (note (a))	41,410	44,537
(Over)/Underprovision in prior financial years (note (a))	(2,030)	595
End of financial year	42,355	46,345

9. NET ATTRIBUTABLE PROFIT

The net profit attributable to equity holders of the Company can be analysed as follows:

	The Group	
	2017 \$'000	2016 \$'000
Net profit before fair value (loss)/gain on investment properties (note 10)	305,976	249,419
Fair value (loss)/gain on investment properties held by subsidiary companies, associated company and joint venture, net of non-controlling interests included in:		
– Fair value (loss)/gain on investment properties	(29,717)	278
– Share of results of associated companies	3,540	–
– Share of results of joint ventures	11,045	–
– Non-controlling interests	10,617	36,348
	(4,515)	36,626
Net attributable profit	301,461	286,045

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

10. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

For the purpose of calculating diluted earnings per share, profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares. The Company's dilutive potential ordinary shares are its share options.

The weighted average number of shares on issue has been adjusted as if all dilutive share options were exercised. The number of shares that could have been issued upon the exercise of all dilutive share options less the number of shares that could have been issued at fair value (determined as the Company's average share price for the financial year) for the same total proceeds is added to the denominator as the number of shares was issued for no consideration. No adjustment is made to the net profit.

	The Group	
	2017	2016
	\$'000	\$'000
Net profit attributable to equity holders of the Company (\$'000)	301,461	286,045
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	1,426,651	1,413,235
Adjustment for share options ('000)	206	66
Weighted average number of ordinary shares outstanding for diluted earnings per share ('000)	1,426,857	1,413,301
Basic and diluted earnings per share (cents per share)		
– excluding fair value (loss)/gain on investment properties held by subsidiary companies, associated company and joint venture (note 9)	21.4 cents	17.6 cents
– including fair value (loss)/gain on investment properties held by subsidiary companies, associated company and joint venture	21.1 cents	20.2 cents

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

11. OTHER RECEIVABLES

Other receivables relate to amounts due from joint ventures which are not repayable within the next 12 months and are interest-bearing at floating rate. At the statement of financial position date, the carrying amounts approximate their fair values.

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	The Group	
	2017	2016
	\$'000	\$'000
Unquoted equity investments	6,365	9,295

13. INVESTMENTS IN ASSOCIATED COMPANIES

	The Group	
	2017	2016
	\$'000	\$'000
Unquoted equity investments, at cost	293,546	293,546
Share of post-acquisition reserves	274,478	253,915
	568,024	547,461

Aggregate information about the Group's investments in associated companies that are individually immaterial are as follows:

	The Group	
	2017	2016
	\$'000	\$'000
- Net profit and total comprehensive income	31,952	26,045
- Carrying amount	568,024	547,461

Details of associated companies are included in note 38.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

14. INVESTMENTS IN JOINT VENTURES

	The Group	
	2017	2016
	\$'000	\$'000
Unquoted equity investments, at cost	26,312	24,312
Share of post-acquisition reserves	40,264	53,437
	66,576	77,749

Aggregate information about the Group's investments in joint ventures that are individually immaterial are as follows:

	The Group	
	2017	2016
	\$'000	\$'000
– Net profit and total comprehensive income	33,577	1,121
– Carrying amount	66,576	77,749

A subsidiary company of the Group has provided several undertakings on cost overrun, interest shortfall, security margin and project completion on a joint venture basis in respect of term loans drawn down by the joint ventures. As at 31 December 2017, the total outstanding term loans drawn down by the joint ventures are \$454,800,000 (2016: \$212,000,000).

The Company has given a corporate guarantee of \$157,137,000 (2016: \$159,840,000) in respect of a banking facility granted to a joint venture.

Details of joint ventures are included in note 38.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

15. INVESTMENTS IN SUBSIDIARY COMPANIES

	The Company	
	2017	2016
	\$'000	\$'000
Unquoted equity investments, at cost	1,229,862	1,230,212
Less: Allowance for impairment in value of investments	(2,094)	(1,905)
	1,227,768	1,228,307

Acquisition of additional interest in a subsidiary company

In 2016, the Group continued to acquire additional Singapore Land Limited ("SLL") issued shares and held 99.7% of the equity share capital of SLL. The effect of changes in the ownership interest of SLL on the equity attributable to owners of the Company during the year is summarised as disclosed below:

	2016 \$'000
Carrying amount of non-controlling interests acquired	703
Consideration paid to non-controlling interests	(455)
Excess of carrying amount attributable to equity holders of the Company	248

Set out below are subsidiary companies with non-controlling interests that are material to the Group.

	Proportion of ownership held by non-controlling interests		Carrying value of non-controlling interests	
	2017	2016	2017	2016
	%	%	\$'000	\$'000
Marina Centre Holdings Private Limited and its subsidiary companies	47	47	773,054	758,137

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

15. INVESTMENTS IN SUBSIDIARY COMPANIES (continued)

Summarised aggregate financial information of subsidiary companies with material non-controlling interests

Set out below are the summarised aggregate financial information for the subsidiary companies that have non-controlling interests that are material to the Group. These are presented before inter-company eliminations.

	2017 \$'000	2016 \$'000
Current		
Assets	101,861	52,636
Liabilities	(46,222)	(50,800)
Non-current		
Assets	1,638,494	1,658,186
Liabilities	(52,769)	(50,331)
Net assets	1,641,364	1,609,691
	2017 \$'000	2016 \$'000
Revenue	193,720	188,435
Net profit/(loss) and total comprehensive income/(expense)	49,673	(13,533)
Total comprehensive income/(expense) allocated to non-controlling interests	23,395	(6,374)
Dividends paid to non-controlling interests	8,448	8,448
	2017 \$'000	2016 \$'000
Net cash provided by operating activities	67,717	53,146
Net cash used in investing activities	(2,034)	(3,639)
Net cash used in financing activities	(20,006)	(40,348)

Details of subsidiary companies are included in note 38.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

16. INVESTMENT PROPERTIES

	The Group	
	2017 \$'000	2016 \$'000
<i>Completed leasehold properties, at valuation:</i>		
Beginning of financial year	5,528,900	5,607,400
Reclassified from investment properties under development	650,875	–
Additions	10,842	15,641
Fair value loss	(29,717)	(94,141)
End of financial year	6,160,900	5,528,900
<i>Investment properties under development, at valuation:</i>		
Beginning of financial year	647,000	488,000
Reclassified to completed leasehold properties	(650,875)	–
Additions	3,875	64,581
Fair value gain	–	94,419
End of financial year	–	647,000
	6,160,900	6,175,900

Borrowing costs of \$1,060,000 (2016: \$3,692,000) for the redevelopment of an investment property were capitalised during the financial year. Interest rate ranging 1.4% to 1.5% (2016: 1.2% to 2.0%) per annum was used in 2017, representing the borrowing costs of the loans used to finance the project.

The following amounts are recognised in the income statements:

	The Group	
	2017 \$'000	2016 \$'000
Rental income	270,803	275,308
Direct operating expenses arising from investment properties that generated rental income	74,084	70,416

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

16. INVESTMENT PROPERTIES (continued)

- (a) The Group's completed leasehold properties are as follows:

Name of building/location	Description	Tenure of land	Unexpired term of lease
Stamford Court 61 Stamford Road Singapore 178892	4-storey office building with shops on a land area of 2,072 square metres.	99-year lease from 1994	76 years
West Mall 1 Bukit Batok Central Link Singapore 658713	Retail and family entertainment complex on a land area of 9,890 square metres.	99-year lease from 1995	77 years
Singapore Land Tower 50 Raffles Place Singapore 048623	47-storey office building on a land area of 5,064 square metres.	999-year lease from 1826	808 years
Clifford Centre 24 Raffles Place Singapore 048621	29-storey shopping cum office building on a land area of 3,343 square metres.	999-year lease from 1826	808 years
The Gateway 150/152 Beach Road Singapore 189720/1	Two 37-storey office buildings on a land area of 21,961 square metres.	99-year lease from 1982	64 years
SGX Centre 2 4 Shenton Way Singapore 068807	29-storey office building on a land area of 2,970 square metres.	99-year lease from 1995	77 years
ABACUS Plaza 3 Tampines Central 1 Singapore 529540	8-storey office building on a land area of 2,614 square metres.	99-year lease from 1996	78 years
Tampines Plaza 5 Tampines Central 1 Singapore 529541	8-storey office building on a land area of 2,613 square metres.	99-year lease from 1996	78 years
UIC Building 5 Shenton Way Singapore 068808	23-storey shopping cum office building on a land area of 6,778 square metres. This is part of a mixed development with the residential component, V on Shenton, classified under properties held for sale.	99-year lease from 2011	93 years
Marina Square Retail Mall 6 Raffles Boulevard Singapore 039594	4-storey retail mall with a retail underpass.	99-year lease from 1980	62 years

Investment properties are leased to non-related parties under operating leases (note 29(c)).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

16. INVESTMENT PROPERTIES (continued)

Valuation techniques and inputs used in Level 3 fair value measurements

The following table presents the valuation techniques and key inputs that were used to determine the fair value of investment properties categorised under Level 3 of the fair value hierarchy:

Description	Fair value at 31 December 2017 (\$'000)	Valuation techniques	Significant unobservable inputs	Range of significant unobservable inputs	Relationship of significant unobservable inputs to fair value
Completed leasehold properties	6,160,900 (2016: 5,528,900)	Capitalisation Approach	Estimated rental rate (per square feet per month)	\$5 - \$13 (2016: \$5 - \$13)	The higher the rental value per square feet, the higher the fair value.
			Capitalisation rate	3.25% - 4.90% (2016: 3.25% - 5.25%)	The higher the capitalisation rate, the lower the fair value.
			Adjusted valuation (per square feet)	\$1,400 - \$2,600 (2016: \$1,300 - \$2,500)	The higher the adjusted valuation per square feet, the higher the fair value.
Investment property under development	Not applicable (2016: 647,000)	Direct Comparison Approach	Gross development value (per square feet)	Not applicable (2016: \$2,300)	The higher the gross development value, the higher the fair value.
			Estimated costs to completion	Not applicable (2016: \$6,000,000)	The higher the costs to completion, the lower the fair value.

There were no significant inter-relationships between the significant unobservable inputs.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

16. INVESTMENT PROPERTIES (continued)

Valuation processes of the Group

The Group engages external, independent and qualified valuers to determine the fair value of the Group's investment properties every half-yearly based on the properties' highest and best use. For each valuation, management:

- verifies all major inputs to the independent valuation report;
- assesses property valuation movements when compared to the previous valuation reports;
- holds discussions with the independent valuers; and
- analyses the reasons for the fair value movements.

In the Capitalisation Approach, gross rental income (net of GST) is estimated at a mature maintainable occupancy level from which total expenses have been deducted and net income capitalised at an appropriate rate.

The Direct Comparison Approach involves analysis of recent transactions of comparable properties within the vicinity and elsewhere in Singapore. Necessary adjustments have been made for the differences in terms of sale, location, tenure, size, shape, design and layout, rental rates, age and condition of buildings, date of transactions and the prevailing market condition amongst other factors affecting their values. The market value of the property under development was arrived at in its "as is" basis from the gross development value less the cost to complete the development. The gross development value was arrived at by the Direct Comparison Approach.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and building \$'000	Plant and machinery \$'000	Furniture, fittings and office equipment \$'000	Motor vehicles \$'000	Renovations in progress \$'000	Total \$'000
The Group						
2017						
<i>Cost</i>						
Beginning of financial year	395,355	56,377	185,859	1,250	186	639,027
Currency translation differences	(517)	(451)	(746)	(8)	–	(1,722)
Additions	–	203	2,758	98	4,694	7,753
Transfer in/(out)	–	592	3,806	–	(4,398)	–
Disposals	–	(407)	(3,859)	–	–	(4,266)
End of financial year	394,838	56,314	187,818	1,340	482	640,792
<i>Accumulated depreciation</i>						
Beginning of financial year	56,426	22,037	90,057	646	–	169,166
Currency translation differences	(74)	(163)	(407)	–	–	(644)
Depreciation charge	6,124	3,281	12,730	459	–	22,594
Disposals	–	(290)	(3,593)	–	–	(3,883)
End of financial year	62,476	24,865	98,787	1,105	–	187,233
Net book value						
End of financial year	332,362	31,449	89,031	235	482	453,559
2016						
<i>Cost</i>						
Beginning of financial year	397,079	57,582	182,860	1,278	883	639,682
Currency translation differences	(1,724)	(1,500)	(2,482)	(28)	–	(5,734)
Additions	–	175	1,610	–	4,156	5,941
Transfer in/(out)	–	123	4,730	–	(4,853)	–
Disposals	–	(3)	(859)	–	–	(862)
End of financial year	395,355	56,377	185,859	1,250	186	639,027
<i>Accumulated depreciation</i>						
Beginning of financial year	50,503	19,229	77,456	568	–	147,756
Currency translation differences	(222)	(491)	(1,200)	(5)	–	(1,918)
Depreciation charge	6,145	3,299	14,541	83	–	24,068
Disposals	–	–	(740)	–	–	(740)
End of financial year	56,426	22,037	90,057	646	–	169,166
Net book value						
End of financial year	338,929	34,340	95,802	604	186	469,861

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

17. PROPERTY, PLANT AND EQUIPMENT (continued)

	Furniture, fittings and office equipment \$'000	Motor vehicle \$'000	Total \$'000
The Company			
2017			
<i>Cost</i>			
Beginning of financial year	760	237	997
Additions	15	–	15
End of financial year	775	237	1,012
<i>Accumulated depreciation</i>			
Beginning of financial year	428	237	665
Depreciation charge	68	–	68
End of financial year	496	237	733
Net book value			
End of financial year	279	–	279
2016			
<i>Cost</i>			
Beginning of financial year	754	237	991
Additions	21	–	21
Disposals	(15)	–	(15)
End of financial year	760	237	997
<i>Accumulated depreciation</i>			
Beginning of financial year	378	237	615
Depreciation charge	65	–	65
Disposals	(15)	–	(15)
End of financial year	428	237	665
Net book value			
End of financial year	332	–	332

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

18. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Cash at bank and on hand	57,226	45,968	1,152	866
Short-term bank deposits	120,155	40,540	–	–
	177,381	86,508	1,152	866

Included in cash and cash equivalents of the Group, are amounts of \$38,374,000 (2016: \$7,455,000) maintained in the Project Accounts. The funds in the Project Accounts can only be applied in accordance with Housing Developers (Project Account) Rules.

Included in cash at bank are amounts of \$3,967,000 (2016: \$220,000) maintained in the maintenance fund accounts for completed properties. The funds in the maintenance fund accounts can only be applied for the upkeep of the completed properties.

Significant restrictions

Cash and cash equivalents of \$26,958,000 (2016: \$17,255,000) are held in the People's Republic of China and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

19. PROPERTIES HELD FOR SALE

	The Group	
	2017 \$'000	2016 \$'000
Properties under development	–	802,887
Allowance for foreseeable losses	–	–
	–	802,887
Completed properties	340,237	299,844
Allowance for foreseeable losses	(3,700)	(33,000)
	336,537	266,844
	336,537	1,069,731

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

19. PROPERTIES HELD FOR SALE (continued)

Properties held for sale where revenue is recognised as construction progresses are as follows:

	The Group	
	2017	2016
	\$'000	\$'000
Aggregate cost incurred and development profits recognised	–	924,918
Less: Progress billings	–	(507,947)
	–	416,971

Progress billings relating to properties held for sale sold but accounted for using the completion of construction method has been classified as “monies received in advance” under current trade and other payables.

Borrowing costs of \$4,352,000 (2016: \$10,768,000) were capitalised during the financial year. Interest rate ranging 1.1% to 1.9% (2016: 0.9% to 3.0%) per annum was used in 2017, representing the borrowing costs of the loans used to finance the projects.

The Group made an allowance for foreseeable losses taking into account the estimated selling prices and estimated total development costs. The estimated selling prices are based on the recent selling prices for the development project or comparable properties and prevailing property market conditions. The estimated total development costs are based on the contracted amount and, in respect of amounts not contracted for, management’s estimates of the amounts to be incurred taking into consideration historical trends of the amounts incurred. The allowance for foreseeable losses is included in ‘cost of sales’. The allowance is progressively reversed for those residential units sold above their carrying amounts.

Movements in allowance for foreseeable losses in respect of properties held for sale were as follows:

	The Group	
	2017	2016
	\$'000	\$'000
Beginning of financial year	33,000	14,100
Allowance during the year	–	18,900
Allowance written-back during the year	(29,300)	–
End of financial year	3,700	33,000

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

19. PROPERTIES HELD FOR SALE (continued)

Details of the Group's properties held for sale are as follows:

Property	Title	Percentage of completion at 31.12.2017/ Year of completion	Site area/Gross floor area (sqm)	Group's effective interest %
The Excellency (Chengdu)	Leasehold	100%/2012	7,566/77,000	99.7
Mon Jervis	Leasehold	100%/2016	8,958/13,796	99.7
Pollen & Bleu	Leasehold	100%/2016	6,268/11,033	99.7
V on Shenton	Leasehold	100%/2017	*/55,846	100.0

* The residential component under this site, together with the commercial component (classified under investment properties), are situated on a site area of 6,778 square metres.

20. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Trade receivables	75,905	41,230	-	-
Less: Allowance for impairment of receivables	(633)	(747)	-	-
	75,272	40,483	-	-
Accrued receivables	208,143	19,966	-	-
Deposits	1,116	1,185	338	360
Prepaid taxes	549	123	-	-
Prepayments	5,553	2,032	17	-
Other receivables	8,392	9,498	8	136
Amounts due from subsidiary companies (non-trade)	-	-	1,683,789	1,847,662
Less: Allowance for impairment of receivables	-	-	(14,718)	(14,718)
	-	-	1,669,071	1,832,944
	299,025	73,287	1,669,434	1,833,440

Accrued receivables represent the balance of sales consideration to be billed for properties held for sale that has obtained Temporary Occupation Permit.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

20. TRADE AND OTHER RECEIVABLES (continued)

The amounts due from subsidiary companies are unsecured, repayable on demand and are interest-bearing except for amounts totalling \$319,536,000 (2016: \$274,500,000) which are interest-free. Interest is charged on amounts due from certain subsidiary companies and is based on interest incurred by the Company in respect of bank loans obtained on behalf of these subsidiary companies.

21. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
(a) <i>Current</i>				
Monies received in advance	21,709	3,214	–	–
Rental received in advance	7,380	6,869	–	–
Rental deposits	24,130	22,161	–	–
Retention monies	19,719	29,178	–	–
Trade payables	62,250	64,302	329	358
Other payables	10,089	12,132	109	110
Accrued operating expenses	34,131	42,030	1,413	1,593
Accruals for completed projects	42,429	7,826	–	–
Amounts due to subsidiary companies (non-trade)	–	–	399,292	208,446
	221,837	187,712	401,143	210,507

The amounts due to subsidiary companies are unsecured, repayable on demand and are interest-bearing except for amounts totalling \$42,442,000 (2016: \$42,482,000) which are interest-free.

	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
(b) <i>Non-current</i>				
Rental deposits	53,208	55,157	–	–
Amount due to an associated company	1,624	1,624	1,624	1,624
	54,832	56,781	1,624	1,624

The amount due to an associated company is unsecured, not repayable within the next 12 months and is interest-free. At the statement of financial position date, the carrying amounts of non-current trade and other payables approximate their fair values.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

22. BORROWINGS

	Note	The Group		The Company	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
(a) <i>Current</i>					
Short-term bank loans (unsecured)	(i)	50,966	494,626	50,966	314,626
Term loan (secured)	(ii)	–	133,206	–	–
Term loan (secured)	(iii)	820	416	–	–
Term loan (secured)	(iv)	–	2,000	–	–
Term loan (unsecured)	(v)	–	598,900	–	598,900
		51,786	1,229,148	50,966	913,526
(b) <i>Non-current</i>					
Term loan (secured)	(iii)	11,480	12,480	–	–
Revolving credit loans (unsecured)	(vi)	467,650	–	467,650	–
		479,130	12,480	467,650	–
Total borrowings		530,916	1,241,628	518,616	913,526

(i) The unsecured short-term loans are drawn under various uncommitted floating rate revolving credit facilities.

(ii) In 2016, the term loan was secured by way of legal mortgages over a property development project with carrying amount of \$310,449,000.

A subsidiary company of the Group had provided several undertakings on cost overrun, interest shortfall, security margin and project completion. The term loan has been fully repaid in 2017.

(iii) The term loan is secured by way of a legal mortgage over certain property, plant and equipment of a subsidiary company with carrying amounts of \$66,826,000 (2016: \$74,186,000).

(iv) In 2016, the term loan was secured by way of an open debenture and legal mortgages over certain property, plant and equipment of a subsidiary company with carrying amounts of \$393,881,000. The term loan has been fully repaid in 2017.

(v) In 2016, the unsecured term loan was drawn under a floating rate committed facility. The term loan has been fully repaid in 2017.

(vi) The unsecured revolving credit loans are drawn under various committed floating rate revolving credit facilities. The amounts advanced under the revolving credit facilities were included as non-current liabilities as the Group has the discretion to rollover the facilities for at least 12 months after the statement of financial position date. For the purposes of liquidity risk disclosure (note 30(c)), the revolving credit facilities had been classified as current as the disclosure was based on actual contractual drawdowns to be repaid within a year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

22. BORROWINGS (continued)

(c) *Carrying amounts and fair values*

The carrying amounts of non-current borrowings approximate their fair values. The fair values are based on discounted cash flows using a discount rate of 2.0% (2016: 5.3%) based upon the prevailing market interest rates.

The exposure of the borrowings of the Group and of the Company to interest rate changes and the contractual repricing dates at the statement of financial position dates are as follows:

	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
6 months or less	530,916	1,241,628	518,616	913,526

(d) *Reconciliation of liabilities arising from financing activities*

	Bank borrowings \$'000
The Group 2017	
Beginning of financial year	1,241,628
Net repayment	(710,261)
Bank facility fees paid	(2,400)
Non-cash changes	
– Foreign exchange movement	705
– Amortisation of front end fee	1,244
End of financial year	530,916

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

23. DEFERRED INCOME TAXES

	The Group	
	2017	2016
	\$'000	\$'000
Deferred income tax liabilities:		
– to be settled within 1 year	18,530	8,549
– to be settled after 1 year	46,067	45,726

Movements in the deferred income tax account are as follows:

	The Group	
	2017	2016
	\$'000	\$'000
Beginning of financial year	54,275	50,050
Currency translation differences	(37)	(203)
Charged to income statement (note 8(a))	10,073	4,417
Underprovision in prior financial years (note 8(a))	286	11
End of financial year	64,597	54,275

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses in certain subsidiary companies of approximately \$30,202,000 (2016: \$15,714,000) at the statement of financial position date, which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses in their respective countries of incorporation. The tax losses have no expiry date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

23. DEFERRED INCOME TAXES (continued)

The movements in the deferred income tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) are as follows:

The Group

Deferred income tax liabilities

	Deferred development profits \$'000	Fair value gain \$'000	Accelerated tax depreciation \$'000	Total \$'000
2017				
Beginning of financial year	8,549	23,600	22,126	54,275
Currency translation differences	–	–	(37)	(37)
Charged/(Credited) to income statement	11,149	(420)	(656)	10,073
(Over)/Underprovision in prior financial years	(1,168)	–	1,454	286
End of financial year	18,530	23,180	22,887	64,597
2016				
Beginning of financial year	1,970	24,020	24,060	50,050
Currency translation differences	–	–	(203)	(203)
Charged/(Credited) to income statement	6,579	(420)	(1,742)	4,417
Underprovision in prior financial years	–	–	11	11
End of financial year	8,549	23,600	22,126	54,275

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

24. SHARE CAPITAL

	The Group and the Company			
	2017		2016	
	No. of ordinary shares '000	Amount \$'000	No. of ordinary shares '000	Amount \$'000
Beginning of financial year	1,419,089	1,525,315	1,405,025	1,486,638
Shares issued pursuant to scrip dividend scheme	12,503	37,384	14,042	38,617
Shares issued pursuant to share option scheme	565	1,583	22	60
End of financial year	1,432,157	1,564,282	1,419,089	1,525,315

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

During the financial year, the Company issued 12,502,950 (2016: 14,042,587) ordinary shares at \$2.99 (2016: \$2.75) per share to shareholders in lieu of cash dividends of 3.0 cents (2016: 3.0 cents) per ordinary share pursuant to United Industrial Corporation Scrip Dividend Scheme and 565,000 (2016: 22,000) ordinary shares pursuant to the share option scheme. The newly issued shares rank pari passu in all respects with the previously issued shares.

The UIC Share Option Scheme ("ESOS") to subscribe for ordinary shares of the Company was approved by the shareholders of the Company on 18 May 2001. The extension of the duration of ESOS for a further period of 10 years to 17 May 2021 was approved by the shareholders at the annual general meeting held on 27 April 2011. Other than the aforesaid extension, there has been no change in any other rules of the ESOS.

Under the terms of the ESOS, the total number of shares granted shall not exceed 5% of the issued share capital of the Company on the day immediately preceding the offer date of the ESOS. The exercise price is equal to the average of the last done prices per share of the Company's ordinary shares on the Singapore Exchange Securities Trading Limited ("SGX-ST") for five market days immediately preceding the date of the offer.

On 27 February 2017 ("Offer Date"), options were granted pursuant to the ESOS to the executives of the Company and its subsidiary companies to subscribe for 526,000 ordinary shares in the Company at the exercise price of \$2.91 per ordinary share.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

24. SHARE CAPITAL (continued)

Principal terms of the ESOS are set out below:

- (i) only full time confirmed executives of the Company or any of its subsidiary companies (including executive directors) are eligible for the grant of options;
- (ii) the ESOS shall be in force at the discretion of the Remuneration Committee ("RC") subject to a maximum period of 10 years and may be extended with the approval of the shareholders;
- (iii) all options granted shall be exercisable, in whole or in part (only in respect of 1,000 shares or any multiple thereof), before the tenth anniversary of the Offer Date and in accordance with the following vesting schedule:

Vesting schedule	Percentage of shares over which options are exercisable
On or after the second anniversary of the Offer Date	50%
On or after the third anniversary of the Offer Date	25%
On or after the fourth anniversary of the Offer Date	25%

The vesting and exercising of vested or unexercised options are governed by conditions set out in the ESOS; and

- (iv) participants in the ESOS, shall not, except with the prior approval of the RC in its absolute discretion, be entitled to participate in any other share option schemes or share incentive schemes implemented by companies within or outside the Group. The settlement of options is subject to conditions as set out in the ESOS.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

24. SHARE CAPITAL (continued)

Movements in the number of unissued ordinary shares under option and their exercise price are as follows:

	Beginning of financial year	Granted during financial year	Cancelled/ Expired during financial year	Exercised during financial year	End of financial year	Exercise price per share	Date of expiry
The Group and the Company							
2017							
2017 Options	–	526,000	(60,000)	–	466,000	\$2.91	26.2.2027
2016 Options	598,000	–	(118,000)	–	480,000	\$2.92	28.2.2026
2015 Options	516,000	–	(100,000)	–	416,000	\$3.54	25.2.2025
2014 Options	524,000	–	(73,000)	(65,000)	386,000	\$3.15	2.3.2024
2013 Options	581,000	–	(90,000)	(116,000)	375,000	\$2.91	21.2.2023
2012 Options	444,000	–	(90,000)	(145,000)	209,000	\$2.73	26.2.2022
2011 Options	417,000	–	–	(209,000)	208,000	\$2.78	28.2.2021
2010 Options	124,000	–	–	(24,000)	100,000	\$2.03	25.2.2020
2008 Options	150,000	–	–	–	150,000	\$2.91	9.3.2018
2007 Options	352,000	–	(346,000)	(6,000)	–	\$2.70	4.3.2017
	<u>3,706,000</u>	<u>526,000</u>	<u>(877,000)</u>	<u>(565,000)</u>	<u>2,790,000</u>		
2016							
2016 Options	–	598,000	–	–	598,000	\$2.92	28.2.2026
2015 Options	516,000	–	–	–	516,000	\$3.54	25.2.2025
2014 Options	524,000	–	–	–	524,000	\$3.15	2.3.2024
2013 Options	581,000	–	–	–	581,000	\$2.91	21.2.2023
2012 Options	466,000	–	–	(22,000)	444,000	\$2.73	26.2.2022
2011 Options	417,000	–	–	–	417,000	\$2.78	28.2.2021
2010 Options	124,000	–	–	–	124,000	\$2.03	25.2.2020
2008 Options	150,000	–	–	–	150,000	\$2.91	9.3.2018
2007 Options	352,000	–	–	–	352,000	\$2.70	4.3.2017
	<u>3,130,000</u>	<u>598,000</u>	<u>–</u>	<u>(22,000)</u>	<u>3,706,000</u>		

Out of the unexercised options for 2,790,000 (2016: 3,706,000) shares, options for 1,530,000 (2016: 2,166,000) shares are exercisable at the statement of financial position date.

The weighted average share price at the time of exercise was \$3.27 (2016: \$2.89) per share.

The fair value of options granted on 27 February 2017 (2016: 1 March 2016), determined using the Binomial Valuation Model, was \$353,000 (2016: \$365,000). The significant inputs into the model were share price of \$2.88 (2016: \$2.88) at the grant date, exercise price of \$2.91 (2016: \$2.92), expected dividend yield of 1.04% (2016: 1.04%), standard deviation of expected share price returns of 16% (2016: 16%), the option life shown above and annual risk-free interest rate of 2.5% (2016: 2.0%). The volatility measured as the standard deviation of expected share price returns was estimated based on statistical analysis of share prices over the last five years.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

25. DIVIDENDS

	The Group and the Company	
	2017	2016
	\$'000	\$'000
Final tax-exempt (one-tier) cash/scrip dividend paid in respect of the previous financial year of 3.0 cents per share (2016: 3.0 cents per share) (note 26)	42,576	42,151

At the Annual General Meeting to be held on 27 April 2018, a final tax-exempt (one-tier) cash dividend of 3.0 cents per share will be recommended. Based on the number of issued shares as at 31 December 2017, this will amount to \$42,965,000 which will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2018.

26. RETAINED EARNINGS

Reserves of the Company comprise retained earnings of \$406,600,000 (2016: \$405,804,000) and share option reserve of \$6,368,000 (2016: \$6,169,000), of which the movements in retained earnings for the Company are as follows:

	The Company	
	2017	2016
	\$'000	\$'000
Beginning of financial year	405,804	403,173
Total comprehensive income – net profit	43,372	44,782
Dividends paid (note 25)	(42,576)	(42,151)
End of financial year	406,600	405,804

27. ASSET REVALUATION RESERVE

The asset revaluation reserve arose from the acquisition of the remaining 50% of the issued share capital of Hotel Marina City Pte Ltd in 2007.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

28. OTHER RESERVES

	The Group	
	2017 \$'000	2016 \$'000
(a) <i>Currency translation reserve</i>		
Beginning of financial year	11,122	21,884
Net currency translation differences of financial statements of foreign entities	(2,855)	(10,763)
Effect of acquisition of shares from non-controlling shareholders	–	1
End of financial year	8,267	11,122
(b) <i>Share option reserve – Employee share option scheme</i>		
Beginning of financial year	6,169	5,745
Value of employee services	199	424
End of financial year	6,368	6,169
(c) <i>Hedging reserve</i>		
Beginning of financial year	–	–
Share of a joint venture's hedging reserve	476	–
Share of a joint venture's tax on fair value	(95)	–
End of financial year	381	–
Total	15,016	17,291

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

29. COMMITMENTS

(a) *Capital commitments*

	The Group	
	2017	2016
	\$'000	\$'000
Capital expenditure contracted for at the statement of financial position date but not recognised in the financial statements in respect of:		
– investment properties	2,919	6,400
– property, plant and equipment	3,288	1,853
	6,207	8,253

(b) *Operating lease commitments - where the Group is a lessee*

The Group leases certain space under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future minimum lease payables under non-cancellable operating leases contracted for at the statement of financial position date but not recognised as liabilities, are as follows:

	The Group	
	2017	2016
	\$'000	\$'000
Not later than 1 year	964	538
Between 1 and 5 years	1,147	620
	2,111	1,158

(c) *Operating lease commitments - where the Group is a lessor*

The Group has entered into commercial property leases on its investment property portfolio, consisting of the Group's office buildings and retail malls.

The future minimum lease receivables under non-cancellable operating leases contracted for at the statement of financial position date but not recognised as receivables, are as follows:

	The Group	
	2017	2016
	\$'000	\$'000
Not later than 1 year	253,651	250,235
Between 1 and 5 years	450,825	419,761
Later than 5 years	51,904	62,943
	756,380	732,939

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

30. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise any adverse effects from the unpredictability of financial markets on the Group's financial performance.

Risk management is carried out in accordance with established policies and guidelines approved by the Board of Directors.

(a) *Market risk*

(i) *Currency risk*

The Group operates dominantly in Singapore, with some operations in the People's Republic of China and the United Kingdom. Entities in the Group transact in currencies other than their respective functional currencies ("foreign currencies").

Currency risk arises within entities in the Group when transactions are denominated in foreign currencies. As the entities in the Group transact substantially in their respective functional currencies, the currency exposure at the Group is minimal.

In addition, the Group is exposed to currency translation risk on its monetary assets and liabilities denominated in foreign currencies when they are translated at the statement of financial position date. As these assets and liabilities are substantially denominated in their respective functional currencies, the currency exposure is minimal.

The Company's exposure to currency risk is minimal as revenue and expenses and assets and liabilities are substantially denominated in Singapore Dollars.

(ii) *Cash flow and fair value interest rate risks*

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The Group's interest-bearing assets and liabilities mainly relate to amounts due from joint ventures and borrowings respectively. Borrowings at variable rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk.

The Company's interest-bearing assets mainly relate to amounts due from subsidiary companies and interest-bearing liabilities relate to an amount due to a subsidiary company and borrowings. The Company does not have any exposure to the interest rate risk as all its finance expenses are recharged to these subsidiary companies.

The Group monitors the interest rates on borrowings closely to ensure that the borrowings are maintained at favourable rates.

If the interest rates increase/decrease by 25 basis points (2016: 25 basis points) with all other variables including tax rate being held constant, the profit after tax for the Group would have been lower/higher by \$1,280,000 (2016: \$1,795,000) as a result of higher/lower interest expense on these variable-rate interest-bearing assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

30. FINANCIAL RISK MANAGEMENT (continued)

(b) *Credit risk*

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's and the Company's major classes of financial assets are bank deposits, trade receivables and other non-current receivables. For trade receivables and accrued receivables, the Group adopts the policy of dealing only with customers of appropriate credit standing and history, and obtaining sufficient security where appropriate to mitigate credit risk. For the property investment segment, generally advance deposits of at least 3 months rental (or equivalent amount in bankers' guarantee) are obtained for all tenancies. For the property trading segment, progress billings from customers are followed up, and appropriate action taken promptly in instances of non-payment or delay in payment. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

Other than amounts due from subsidiary companies and joint ventures, concentration of credit risk relating to trade receivables is limited due to the Group's many varied customers.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statement of financial position.

The Group's other non-current receivables comprise of amounts due from joint ventures (note 11). The Company's current trade and other receivables comprise mainly amounts due from subsidiary companies (note 20). These receivables are assessed for their recoverability and any recognition/writeback of allowance for impairment are made where necessary. Information regarding these receivables is disclosed in the respective notes.

The credit risk profile of the Group's trade and accrued receivables at the statement of financial position date is as follows:

	The Group	
	2017	2016
	\$'000	\$'000
<hr/>		
<i>By segment of business</i>		
Property investment	6,707	4,708
Property trading	253,541	36,598
Hotel operations	5,203	3,990
Technologies	17,650	14,672
Others	314	481
	283,415	60,449
	<hr/>	

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

30. FINANCIAL RISK MANAGEMENT (continued)

(b) *Credit risk (continued)*

(i) *Financial assets that are neither past due nor impaired*

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

(ii) *Financial assets that are past due and/or impaired*

There is no other significant class of financial assets that is past due and/or impaired except for trade receivables.

The age analysis of trade receivables past due but not impaired is as follows:

	The Group	
	2017	2016
	\$'000	\$'000
Past due 0 to 1 month	7,190	6,805
Past due 1 to 2 months	3,553	1,754
Past due 2 to 3 months	1,322	847
Past due over 3 months	1,959	1,066
	14,024	10,472

The carrying amount of trade receivables individually determined to be impaired and the movements in the related allowance for impairment are as follows:

	The Group	
	2017	2016
	\$'000	\$'000
Beginning of financial year	747	700
Allowance made	81	186
Allowance utilised	(106)	(111)
Allowance written-back	(89)	(28)
End of financial year	633	747

Trade receivables that are individually determined to be impaired at the statement of financial position date relate to debtors that are in significant financial difficulties and have defaulted on payments despite attempts to recover the debts owing through legal means where appropriate. These receivables are not secured by any collateral or credit enhancements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

30. FINANCIAL RISK MANAGEMENT (continued)

(c) *Liquidity risk*

The table below analyses financial liabilities of the Group and the Company into relevant maturity groupings based on the remaining period from the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

	Less than 1 year \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000
The Group				
At 31 December 2017				
Trade and other payables	(192,578)	(18,185)	(28,844)	(7,803)
Borrowings	(524,086)	(3,000)	(9,560)	–
	(716,664)	(21,185)	(38,404)	(7,803)
At 31 December 2016				
Trade and other payables	(177,300)	(24,444)	(28,048)	(4,289)
Borrowings	(1,240,816)	(1,463)	(12,770)	–
	(1,418,116)	(25,907)	(40,818)	(4,289)
The Company				
At 31 December 2017				
Trade and other payables	(400,972)	–	–	(1,624)
Borrowings	(522,640)	–	–	–
	(923,612)	–	–	(1,624)
At 31 December 2016				
Trade and other payables	(210,358)	–	–	(1,624)
Borrowings	(923,618)	–	–	–
	(1,133,976)	–	–	(1,624)

The Group's and the Company's policy on liquidity risk management is to maintain sufficient cash to enable them to meet their normal operating commitments and the availability of funding through adequate amounts of credit facilities with various banks. At the statement of financial position date, assets held by the Group and the Company for managing liquidity risk included cash and short-term deposits as disclosed in note 18.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

30. FINANCIAL RISK MANAGEMENT (continued)

(d) *Capital risk*

The Group's main objective when managing capital is to safeguard the Group's ability to continue as a going concern. The Group manages capital using various common measures applied by real estate companies which may include adjusting the dividend payment, returning capital to shareholders or issuing new shares.

Management monitors the Group's capital using a ratio calculated as debt divided by total equity, where debt comprises total borrowings.

	The Group	
	2017 \$'000	2016 \$'000
Debt	530,916	1,241,628
Total equity	7,344,614	7,035,062
Debt/Total equity ratio	7%	18%

The Group and the Company are required under financial covenants of certain bank facilities to maintain a certain level of total networth and total liabilities to total networth ratio. The Group and the Company are in compliance, where applicable, with all externally imposed capital requirements for the financial years ended 31 December 2017 and 2016.

(e) *Financial instruments by category*

The aggregate carrying amounts of loans and receivables and financial liabilities at amortised cost are as follows:

	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Loans and receivables	657,358	684,357	1,670,586	1,834,306
Financial liabilities at amortised cost	778,496	1,476,038	921,383	1,125,657

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

31. RELATED PARTY TRANSACTIONS

- (a) In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties:

	The Group	
	2017	2016
	\$'000	\$'000
<u>Transactions with joint ventures</u>		
Marketing fee income	1,274	46
Project management fee income	370	449
Fee income for arrangement of bank loan	179	122
<u>Transactions with a firm in which a director has an interest</u>		
Professional fee expense	391	143
<u>Transactions with ultimate holding company</u>		
Sales of goods and services	154	–
Fees paid for software implementation and support	47	–
<u>Transactions with fellow subsidiary companies</u>		
Sales of goods and services	148	–
Income from hotel and function room facilities	67	–
Fees paid for management of hotel	3,030	–
<u>Transactions with other related parties</u>		
Sales of goods and services	603	771
Income from hotel and function room facilities	248	304
Fees paid for management of hotel	5,380	8,252
Fees paid for software implementation and support	109	245

- (b) Key management personnel compensation

Key management's remuneration included fees, salary, bonus and other emoluments (including benefits-in-kind) computed based on the cost incurred by the Group, and where the Group did not incur any costs, the value of the benefit is included. The total key management's remuneration is as follows:

	The Group	
	2017	2016
	\$'000	\$'000
Directors of the Company		
– Fees	379	379
– Salaries, bonus and other emoluments	1,216	1,184
– Employer's contribution to defined contribution plan	15	15
– Share option expense	69	77
	1,679	1,655

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

32. SEGMENT INFORMATION

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

- Property investment – leasing of commercial office property, property management, investment holding, and investment in retail centres.
- Property trading – development of properties for trading, project management and marketing services.
- Hotel operations – operation of hotels.
- Technologies – distribution of computers and related products; provision of systems integration and networking infrastructure services.
- Others – investment in shares and provision of management and related services.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

32. SEGMENT INFORMATION (continued)

	Property investment		Property trading		Hotel operations		Technologies		Others		The Group	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue												
– external sales	281,303	285,166	760,299	516,268	149,114	145,924	99,223	88,201	2,230	1,025	1,292,169	1,036,584
Segment results	198,633	207,073	127,411	82,056	24,391	21,503	2,582	2,454	1,836	866	354,853	313,952
Unallocated costs											(8,820)	(8,044)
Interest income											4,438	3,929
Dividend income											–	138
Finance expenses											(11,679)	(9,204)
Profit before share of results of associated companies and joint ventures											338,792	300,771
Share of results of associated companies	11,675	8,866	486	(891)	19,791	18,070	–	–	–	–	31,952	26,045
Share of results of joint ventures	17,546	(2,278)	16,031	3,399	–	–	–	–	–	–	33,577	1,121
Fair value (loss)/gain on investment properties	(29,717)	278	–	–	–	–	–	–	–	–	(29,717)	278
Profit before income tax											374,604	328,215
Segment assets	6,277,586	6,256,207	815,741	1,225,732	491,602	475,739	29,797	25,435	9,825	13,480	7,624,551	7,996,593
Investments in associated companies	260,137	249,462	140,173	141,726	167,714	156,273	–	–	–	–	568,024	547,461
Investments in joint ventures	37,331	19,034	29,245	58,715	–	–	–	–	–	–	66,576	77,749
Consolidated total assets											8,259,151	8,621,803
Other segment items												
Capital expenditure	14,201	76,794	7	24	6,902	5,544	236	70	64	39	21,410	82,471
Depreciation	345	267	8	6	22,001	23,499	148	206	92	90	22,594	24,068
(Write-back of allowance)/ Allowance for foreseeable losses on properties held for sale	–	–	(29,300)	18,900	–	–	–	–	–	–	(29,300)	18,900

* The Group has represented the operating segment information for the year ended 31 December 2016 to better reflect the nature of the transactions.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

32. SEGMENT INFORMATION (continued)

Geographical information

Singapore is the home country of the Company which is also an operating company. The areas of operation are holding of investment properties for leasing, property development and trading, investment holding, property management, and investment in hotels and retail centres.

Revenue is based on the country in which the sale is originated. Non-current assets (excluding financial instruments) are shown by the geographical area in which the assets are located.

	Revenue		Non-current assets	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Singapore	1,268,863	995,414	7,003,041	7,035,819
Other countries	23,306	41,170	246,018	235,152
	1,292,169	1,036,584	7,249,059	7,270,971

33. IMMEDIATE HOLDING COMPANY AND ULTIMATE HOLDING COMPANY

During the year, UOL Equity Investments Pte Ltd's ("UEI"), a wholly-owned subsidiary company of UOL Group Limited ("UOL"), increased its shareholding in the Company, resulting in UOL and UEI ("UOL Group") having an aggregate interest in UIC of 48.96% as at 31 August 2017. Although the UOL Group holds less than 50% of the total share capital in the Company, UEI is deemed to have de-facto control over the Company with effect from 31 August 2017.

As a result of this, UEI and UOL are deemed to be the Company's immediate holding company and ultimate holding company respectively. Both companies are incorporated in Singapore.

34. COMPARATIVES

Certain prior year comparatives have been reclassified to conform to changes in presentation on the current year. The reclassifications have been made to better reflect the nature of the transactions.

	Reclassified \$'000	The Group Previously reported \$'000
Presented in Consolidated Income Statement		
Cost of sales	(678,705)	(682,950)
Administrative expenses	(26,909)	(22,664)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

35. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Certain new standards, amendments and interpretations to existing standards have been published that are relevant for the Group's accounting periods beginning on or after 1 January 2018 or later periods which the Group has not early adopted. The Group does not expect that the adoption of these accounting standards or interpretations will have a material impact on the Group's financial statements in the period of initial application, except for:

- (a) FRS 115 *Revenue from Contracts with Customers*, identical to SFRS(I) 15 (effective for annual periods beginning on or after 1 January 2018)

This is the converged standard on revenue recognition. It replaces FRS 11 *Construction Contracts*, FRS 18 *Revenue*, and related interpretations. Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. The core principle of FRS 115 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

FRS 115 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The Group has assessed the effects of applying the new standard on the Group's financial statements and has identified that the Group is likely to be affected by the accounting for certain costs incurred in fulfilling a contract where certain costs which are currently expensed may need to be recognised as an asset while some costs previously deferred may need to be expensed under FRS 115. The effects have been assessed to be immaterial. The Group will incorporate the new required disclosures in its financial statements for the year ending 31 December 2018.

- (b) FRS 109 *Financial Instruments*, identical to SFRS(I) 9 (effective for annual periods beginning on or after 1 January 2018)

FRS 109 replaces most of the existing guidance in FRS 39 *Financial Instruments: Recognition and Measurement*. It includes revised guidance on classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from FRS 39. The Group does not expect any material impact arising from the adoption of the standard.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

36. ADOPTION OF SFRS(I)S

The Singapore Accounting Standards Council has introduced a new Singapore financial reporting framework that is identical to the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The new framework is referred to as ‘Singapore Financial Reporting Standards International’ (“SFRS(I)s”) hereinafter.

As required by the listing requirements of the Singapore Exchange, the Group has adopted SFRS(I)s on 1 January 2018 and will be issuing its first set of financial information prepared under SFRS(I)s for the quarter ending 31 March 2018 in April 2018.

In adopting SFRS(I)s, the Group is required to apply all of the specific transition requirements in SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*. The Group has performed a preliminary assessment of the impact of SFRS(I) 1 for the transition to the new reporting framework. Based on the Group’s preliminary assessment, the Group does not expect a material impact on the financial statements upon adoption of the SFRS(I) other than the election to apply the transitional exemption to adopt SFRS(I) 1-21 prospectively and deem the cumulative translation differences to be zero. As at 1 January 2017, the cumulative foreign currency translation reserve amounted to \$11,122,000. The Group will also concurrently apply SFRS(I) 9 *Financial Instruments* and SFRS(I) 15 *Revenue from Contracts with Customers* as disclosed in note 35.

37. AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of United Industrial Corporation Limited on 23 February 2018.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

38. LISTING OF SUBSIDIARY AND ASSOCIATED COMPANIES, AND JOINT VENTURES IN THE GROUP

	Principal activities	Country of incorporation/ business	The Group's equity holding	
			2017 %	2016 %
<i>Subsidiary companies</i>				
UIC Development (Private) Limited	Investment holding	Singapore	100	100
UIC Enterprise Pte Ltd	Investment holding	Singapore	100	100
UIC Investment Pte Ltd	Property trading	Singapore	100	100
UIC Investments (Properties) Pte Ltd	Property investment	Singapore	100	100
UIC Supplies Pte Ltd ^{@@}	Property trading	Singapore	100	100
UIC Land Pte Ltd	Property investment	Singapore	100	100
UIC Management Services Pte. Ltd.	Property management agents	Singapore	100	100
Active Building & Civil Construction (1985) Pte. Ltd.	Investment holding	Singapore	100	100
Networkd Pte Ltd	Investment holding	Singapore	100	100
Networkd Realty Pte Ltd ^{@@}	Investment holding	Singapore	100	100
UIC China Realty Pte. Ltd.	Investment holding	Singapore	100	100
UIC Overseas Investments Pte. Ltd.	Investment holding	Singapore	100	100
Alprop Pte Ltd	Property investment	Singapore	100 ⁺⁺	100 ⁺⁺
Singapore Land Limited	Investment holding	Singapore	100 ⁺	100 ⁺
Gateway Land Limited	Property investment	Singapore	100 ⁺	100 ⁺
Ideal Homes Pte. Limited	Property trading	Singapore	100 ⁺	100 ⁺
Realty Management Services (Pte) Ltd.	Property management agents	Singapore	100 ⁺	100 ⁺

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

38. LISTING OF SUBSIDIARY AND ASSOCIATED COMPANIES, AND JOINT VENTURES IN THE GROUP (continued)

	Principal activities	Country of incorporation/ business	The Group's equity holding	
			2017 %	2016 %
<i>Subsidiary companies</i>				
RMA-Land Development Private Ltd	Property investment	Singapore	100 ⁺	100 ⁺
Shing Kwan Realty (Pte.) Limited	Property investment and investment holding	Singapore	100 ⁺	100 ⁺
Singland (Chengdu) Development Co., Ltd. #	Property trading	People's Republic of China	100 ⁺	100 ⁺
Singland Development (Farrer Drive) Pte. Ltd.	Property trading	Singapore	100 ⁺	100 ⁺
Singland Development (Jervois) Pte. Ltd.	Property trading	Singapore	100 ⁺	100 ⁺
Singland Homes (Alexandra) Pte. Ltd.	Property trading	Singapore	100 ⁺	100 ⁺
S.L. Development Pte. Limited	Property investment and investment holding	Singapore	100 ⁺	100 ⁺
S L Prime Properties Pte Ltd	Property investment	Singapore	100 ⁺	100 ⁺
S L Prime Realty Pte Ltd	Property investment	Singapore	100 ⁺	100 ⁺
S.L. Properties Limited	Property investment and investment holding	Singapore	100 ⁺	100 ⁺
Pothonier Singapore Pte Ltd	Investment holding	Singapore	100 ⁺	100 ⁺
Shenton Holdings Private Limited	Investment holding	Singapore	100 ⁺	100 ⁺
Singland China Holdings Pte. Ltd.	Investment holding	Singapore	100 ⁺	100 ⁺
Singland Homes Pte. Ltd.	Investment holding	Singapore	100 ⁺	100 ⁺

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

38. LISTING OF SUBSIDIARY AND ASSOCIATED COMPANIES, AND JOINT VENTURES IN THE GROUP (continued)

	Principal activities	Country of incorporation/ business	The Group's equity holding	
			2017 %	2016 %
<i>Subsidiary companies</i>				
S.L. Home Loans Pte. Ltd.	Investment holding	Singapore	100 ⁺	100 ⁺
S.L. Management Services Pte Limited ^{@@}	Investment holding	Singapore	100 ⁺	100 ⁺
Brendale Pte. Ltd. [@]	Property trading	Singapore	–	70
UIC Asian Computer Services Pte Ltd	Retailing of computer hardware and software	Singapore	60	60
UIC Technologies Pte Ltd	Investment holding	Singapore	60	60
Marina Centre Holdings Private Limited	Property development and investment	Singapore	53	53
Marina Management Services Pte Ltd	Property management agents	Singapore	53	53
Hotel Marina City Private Limited	Hotelier	Singapore	53	53
UIC JinTravel (Tianjin) Co., Ltd [#]	Property investment and trading	People's Republic of China	51	51

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

38. LISTING OF SUBSIDIARY AND ASSOCIATED COMPANIES, AND JOINT VENTURES IN THE GROUP (continued)

	Principal activities	Country of incorporation/ business	The Group's equity holding	
			2017 %	2016 %
<i>Associated companies</i>				
Avenue Park Development Pte. Ltd.	Property trading	Singapore	48	48
Tianjin Yan Yuan International Hotel *	Hotel investment	People's Republic of China	36	36
Shanghai Jin Peng Realty Co., Ltd #	Property trading	People's Republic of China	30	30
Aquamarina Hotel Private Limited	Hotelier	Singapore	26	26
Marina Bay Hotel Private Limited	Hotelier	Singapore	26	26
Novena Square Development Ltd	Property investment	Singapore	20	20
Novena Square Investments Ltd	Property investment	Singapore	20	20
<i>Joint ventures</i>				
United Venture Development (Bedok) Pte. Ltd.	Property trading	Singapore	50	50
United Venture Development (Thomson) Pte. Ltd.	Property trading	Singapore	50	50
United Venture Development (Clementi) Pte. Ltd.	Property trading	Singapore	50	50
UVD (Projects) Pte. Ltd.	Property trading	Singapore	50	50
United Venture Investments (HI) Pte. Ltd.	Property investment	Singapore/ United Kingdom	50	50

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

38. LISTING OF SUBSIDIARY AND ASSOCIATED COMPANIES, AND JOINT VENTURES IN THE GROUP (continued)

	Country of incorporation/ business	The Group's equity holding	
		2017 %	2016 %
Inactive companies			
<i>Subsidiary companies</i>			
UIC Homes Pte. Ltd. ^ (formerly known as UIC China Resources Pte. Ltd.)	Singapore	100	100
UIC Commodities Pte Ltd ^	Singapore	100	100
UIC Printedcircuits Pte Ltd ^	Singapore	100	100
Union Commodities Pte Ltd ^	Singapore	100	100
Interpex Services Private Limited	Singapore	100 ⁺	100 ⁺
Singland Homes (London 90) Pte. Ltd. ^	Singapore	100 ⁺	100 ⁺
UIC Investments (Equities) Pte Ltd ^	Singapore	60	60
<i>Associated companies</i>			
United Venture Investment (Thomson) Pte. Ltd.	Singapore	40	40
Peak Venture Pte. Ltd. *	Singapore	30	30
United Venture Development (No. 1) Pte. Ltd. ^^	Singapore	42	–
United Venture Development (No.2) Pte. Ltd. ^^	Singapore	30	–

Notes

⁺ Effective interest is 99.7%.

⁺⁺ Effective interest is 99.8%.

All the subsidiary and associated companies, and joint ventures are audited by PricewaterhouseCoopers LLP, Singapore except for the following:

Audited by the network of member firms of PricewaterhouseCoopers International Limited.

* Audited by other auditors. These companies are not considered significant associated companies under the SGX-ST Listing Manual.

^ Not required to be audited as these companies are considered dormant and exempted from audit under the Companies Act.

^^ Newly incorporated during the financial year.

@ Not required to be audited as the company was liquidated during the financial year.

@@ Not required to be audited as the company was in the process of being liquidated.

FIVE YEAR SUMMARY

2013 - 2017

Group profit and loss accounts (\$'000)

	2013	2014	2015	2016	2017
Revenue	609,646	693,196	807,199	1,036,584	1,292,169
Profit before income tax	506,613	491,238	330,085	328,215	374,604
Income tax expense	(34,836)	(40,365)	(39,294)	(49,560)	(49,739)
Net profit	471,777	450,873	290,791	278,655	324,865
Attributable to:					
Equity holders of the Company					
– Net profit from operations	167,178	222,789	236,283	249,419	305,976
– Net fair value gain/(loss) on investment properties	148,886	175,202	24,268	36,626	(4,515)
	316,064	397,991	260,551	286,045	301,461
Non-controlling interests	155,713	52,882	30,240	(7,390)	23,404
	471,777	450,873	290,791	278,655	324,865
Dividends proposed (net)	41,400	41,799	42,151	42,576	42,965

Group statements of financial position (\$'000)

	2013	2014	2015	2016	2017
Investment properties	5,738,500	5,989,900	6,095,400	6,175,900	6,160,900
Property, plant and equipment	527,812	509,151	491,926	469,861	453,559
Other non-current assets	688,942	760,598	654,987	744,250	828,019
Current assets	1,227,208	1,229,334	1,296,145	1,231,792	816,673
Total assets	8,182,462	8,488,983	8,538,458	8,621,803	8,259,151
Current liabilities	(808,038)	(862,859)	(865,715)	(1,463,205)	(315,978)
Non-current liabilities	(579,310)	(1,128,057)	(891,724)	(123,536)	(598,559)
Net assets employed	6,795,114	6,498,067	6,781,019	7,035,062	7,344,614
Share capital	1,403,772	1,446,183	1,486,638	1,525,315	1,564,282
Reserves	3,578,639	4,246,435	4,472,829	4,706,632	4,963,242
	4,982,411	5,692,618	5,959,467	6,231,947	6,527,524
Non-controlling interests	1,812,703	805,449	821,552	803,115	817,090
Total equity	6,795,114	6,498,067	6,781,019	7,035,062	7,344,614

FIVE YEAR SUMMARY

2013 - 2017

Other data	2013	2014	2015	2016	2017
Profit before income tax – % of revenue	83	71	41	32	29
Profit attributable to equity holders of the Company					
– % of revenue	52	57	32	28	23
– % of share capital and reserves	6	7	4	5	5
Earnings per share (cents)					
– excluding fair value (loss)/gain on investment properties	12.1	16.1	16.9	17.6	21.4
– including fair value (loss)/gain on investment properties	22.9	28.7	18.6	20.2	21.1
Dividends proposed					
– gross per share (cents)	3.0	3.0	3.0	3.0	3.0
– cover (times)	4.0	5.3	5.6	5.9	7.1
Net asset value per share (\$)	3.61	4.09	4.24	4.39	4.56

STATISTICS OF SHAREHOLDINGS

As at 15 March 2018

Number of Issued and Fully Paid Shares	:	1,432,468,362 Ordinary Shares
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote per share

DISTRIBUTION OF SHAREHOLDINGS AS AT 15 MARCH 2018

Size of Shareholdings	No of shareholders	%	No of shares	%
1 – 99	270	2.65	9,086	0.00
100 – 1,000	1,496	14.69	1,025,808	0.07
1,001 – 10,000	6,136	60.27	26,803,123	1.87
10,001 – 1,000,000	2,258	22.18	80,042,085	5.59
1,000,001 and above	21	0.21	1,324,588,260	92.47
Total	10,181	100	1,432,468,362	100.00

LIST OF 20 LARGEST SHAREHOLDERS AS AT 15 MARCH 2018

No.	Name	No. of Shares	% shares
1.	UOB KAY HIAN PTE LTD	693,605,219	48.42
2.	DBS VICKERS SECS (S) PTE LTD	514,554,565	35.92
3.	CITIBANK NOMS S'PORE PTE LTD	26,883,940	1.88
4.	DBS NOMINEES PTE LTD	24,543,087	1.71
5.	UOL EQUITY INVESTMENTS PTE LTD	21,280,442	1.49
6.	CHEONG SOH CHIN @ JULIE	7,381,133	0.52
7.	UNITED OVERSEAS BANK NOMINEES	6,891,881	0.48
8.	CGS-CIMB SECURITIES (S) PL	5,506,643	0.38
9.	SHANWOOD DEVELOPMENT PTE LTD	3,120,427	0.22
10.	MERRILL LYNCH (SPORE) PTE LTD	2,747,772	0.19
11.	OCBC NOMINEES SINGAPORE	2,657,493	0.19
12.	CHING MUN FONG	2,551,469	0.18
13.	TYE HUA NOMINEES (PTE) LTD	2,475,821	0.17
14.	HSBC (SINGAPORE) NOMS PTE LTD	1,556,213	0.11
15.	PHILLIP SECURITIES PTE LTD	1,452,916	0.10
16.	SEE HUNG YEE	1,373,536	0.10
17.	LEE YUEN SHIH	1,350,766	0.09
18.	RAFFLES NOMINEES (PTE) LTD	1,323,704	0.09
19.	PRIMA INVESTMENT HOLDINGS	1,215,000	0.08
20.	MAYBANK KIM ENG SECS PTE LTD	1,090,226	0.08
	Total	1,323,562,253	92.40

STATISTICS OF SHAREHOLDINGS

As at 15 March 2018

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS AS AT 15 MARCH 2018

Name	Shareholdings registered in the name of substantial shareholders or nominees No. of Shares	Shareholdings in which the substantial shareholders are deemed to have an interest No. of Shares	%
1. UOL Equity Investments Pte Ltd	680,195,936 ⁽¹⁾	nil	47.48
2. UOL Group Limited	33,615,314 ⁽²⁾	680,195,936 ⁽²⁾	49.83
3. Dr Wee Cho Yaw	–	713,811,250 ⁽³⁾	49.83
4. Telegraph Developments Ltd	530,727,364 ⁽⁴⁾	nil	37.05

Notes:

⁽¹⁾ UOL Group Limited and Dr Wee Cho Yaw have deemed interest in the UIC shares held by UOL Equity Investments Pte Ltd.

⁽²⁾ Dr Wee Cho Yaw is deemed to have an interest in the UIC shares held by UOL Group Limited.

⁽³⁾ Dr Wee Cho Yaw's deemed interest in the 713,811,250 UIC shares is derived as follows:

UOB Kay Hian Pte Ltd – Beneficiary: UOL Group Limited	33,615,314
UOB Kay Hian Pte Ltd – Beneficiary: UOL Equity Investments Pte Ltd	658,915,494
UOL Equity Investments Pte Ltd	21,280,442

⁽⁴⁾ JG Summit Philippines Limited, JG Summit Holdings, Inc. and Dr John Gokongwei, Jr. are deemed to have interests in the UIC shares held by Telegraph Developments Ltd and Summit Top Investments Limited.

RULE 723 OF THE SGX-ST LISTING MANUAL

Based on the information available to the Company as at 15 March 2018, approximately 13.10% of the issued ordinary shares of the Company is held by the public and therefore the Company has complied with the Exchange's requirement that at least 10% of the equity securities (excluding preference shares and convertible equity securities) in a class that is listed is at all times held by the public.

NOTICE OF ANNUAL GENERAL MEETING

UNITED INDUSTRIAL CORPORATION LIMITED

Company Registration No. 196300181E

Incorporated in Singapore

NOTICE IS HEREBY GIVEN that the 56th Annual General Meeting (“AGM”) of United Industrial Corporation Limited (the “Company”) will be held at Grand Ballroom 1 & 2, PARKROYAL on Beach Road, 7500 Beach Road, Singapore 199591, on Friday, 27 April 2018 at 1.15 p.m. to transact the following business:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statement and Audited Financial Statements for the financial year ended 31 December 2017 together with the Auditor’s Report. Resolution 1
2. To declare a first and final tax-exempt (one-tier) dividend of 3.0 cents per ordinary share for the financial year ended 31 December 2017. (2016: 3.0 cents) Resolution 2
3. To approve Directors’ fees of \$308,500 for the financial year ended 31 December 2017. (2016: \$308,500) Resolution 3
4. To re-elect the following Directors, each of whom will retire by rotation pursuant to Article 94 of the Company’s Constitution and who, being eligible, offers himself for re-election: Resolution 4
 - (a) Mr James L. Go
 - (b) Mr Gwee Lian Kheng
 - (c) Mr Wee Ee Lim
5. To note that Dr John Gokongwei, Jr. is retiring by rotation at this AGM and has decided not to offer himself for re-election to office.
6. To re-elect the following directors who were appointed during the year, each of whom will retire pursuant to Article 100 of the Company’s Constitution and who, being eligible, offers himself for re-election: Resolution 5
 - (a) Mr Francis Lee Seng Wee
 - (b) Mr Chng Hwee Hong
7. To re-appoint PricewaterhouseCoopers LLP as Auditor of the Company and to authorise the Directors to fix their remuneration. Resolution 6

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions:

8. That authority be and is hereby given to the Directors of the Company to issue: Resolution 7
 - (i) shares of the Company (“Shares”);
 - (ii) convertible securities;

NOTICE OF ANNUAL GENERAL MEETING

UNITED INDUSTRIAL CORPORATION LIMITED

Company Registration No. 196300181E

Incorporated in Singapore

- (iii) additional convertible securities issued pursuant to adjustments made in accordance with the listing manual of the Singapore Exchange Securities Trading Limited (the "SGX-ST") for the time being in force (the "Listing Manual") (notwithstanding the authority conferred by this Resolution may have ceased to be in force, provided that the adjustment does not give the holder a benefit that a shareholder does not receive); or
- (iv) Shares arising from the conversion of the securities in (ii) and (iii) above, (notwithstanding the authority conferred by this Resolution may have ceased to be in force),

(whether by way of rights, bonus, or otherwise or pursuant to any offer, agreement or option made or granted by the Directors during the continuance of this authority which would or might require Shares or convertible securities to be issued during the continuance of this authority or thereafter) at any time, to such persons, upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit,

provided that:

- (a) the aggregate number of Shares and convertible securities to be issued pursuant to this Resolution (including Shares to be issued in pursuance of convertible securities made or granted pursuant to this Resolution) does not exceed 50% of the total number of issued Shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (b) below), provided that the aggregate number of Shares and convertible securities to be issued other than on a pro rata basis to shareholders of the Company (including Shares to be issued in pursuance of convertible securities made or granted pursuant to this Resolution) does not exceed 20% of the total number of issued Shares (excluding treasury shares)(as calculated in accordance with sub-paragraph (b) below);
- (b) (subject to such other manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (a) above, the percentage of issued Shares shall be based on the total number of issued Shares (excluding treasury shares) at the time of the passing of this Resolution, after adjusting for:
 - (1) any new Shares arising from the conversion or exercise of convertible securities;
 - (2) (where applicable) any new Shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this Resolution is passed, provided the options or awards were granted in compliance with the Listing Manual; and
 - (3) any subsequent bonus issue, consolidation or subdivision of Shares;

NOTICE OF ANNUAL GENERAL MEETING

UNITED INDUSTRIAL CORPORATION LIMITED

Company Registration No. 196300181E

Incorporated in Singapore

- (c) in exercising the authority conferred by this Resolution, the Company complies with the Listing Manual (unless such compliance has been waived by the SGX-ST) and the Constitution of the time being of the Company; and
- (d) such authority shall, unless revoked or varied by the Company at a general meeting, continue to be in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

9. That the Directors be and are hereby authorised to:

Resolution 8

- (i) offer and grant options to any full-time confirmed employee (including any Executive Director) of the Company and its subsidiaries who are eligible to participate in the United Industrial Corporation Limited Share Option Scheme (the "Scheme"); and
- (ii) pursuant to Section 161 of the Companies Act, Cap. 50, to allot and issue from time to time such number of Shares as may be required to be issued pursuant to the exercise of options under the Scheme,

provided that the aggregate number of Shares to be issued pursuant to the Scheme shall not exceed 5% of the total number of issued Shares (excluding treasury shares) from time to time.

By Order of the Board
Teo Hwee Ping
Acting Company Secretary
Singapore, 6 April 2018

Note:

A member of the Company who is not a relevant intermediary is entitled to appoint one or two proxy/proxies to attend, speak and vote at the AGM. 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.

A member of the Company who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the AGM, 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, Cap. 50.

A proxy need not be a member of the Company. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 24 Raffles Place #22-01/06 Clifford Centre, Singapore 048621 not less than 72 hours before the time appointed for holding the AGM.

NOTICE OF ANNUAL GENERAL MEETING

UNITED INDUSTRIAL CORPORATION LIMITED

Company Registration No. 196300181E

Incorporated in Singapore

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM 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 AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to update its scrip holders' information (if applicable) and to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines (collectively, the "Purposes"), and (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 against any claim, cost (including legal cost), damage, demand, expense, liability, loss, penalty or proceeding arising from the member's breach of warranty.

NOTES TO RESOLUTIONS

Resolution 4(a) – Mr James L. Go, upon re-election, will remain as an Audit Committee Member. He is considered a non-Independent Director. He is the brother of Dr John Gokongwei, Jr., the Deputy Chairman of the Company. Please refer to the 'Board of Directors' section of the Company's Annual Report 2017 for information on the current directorships in other listed companies and other commitments of Mr James L. Go.

Resolution 4(b) – Mr Gwee Lian Kheng, upon re-election, will remain as a Non-Executive Director. He is the Group Chief Executive of UOL Group Limited. Save for the aforementioned, there are no relationships (including immediate family relationships) between Mr Gwee and the other Directors of the Company, the Company or its 10% shareholders*. Please refer to the 'Board of Directors' section of the Company's Annual Report 2017 for information on the current directorships in other listed companies and other commitments of Mr Gwee Lian Kheng.

Resolution 4(c) – Mr Wee Ee Lim, if re-elected, will remain as a Non-Executive Director. He is the Deputy Chairman of UOL Group Limited and the son of Dr Wee Cho Yaw, the Chairman of the Company. Please refer to the 'Board of Directors' section of the Company's Annual Report 2017 for information on the current directorships in other listed companies and other commitments of Mr Wee Ee Lim.

Resolution 6(a) – Mr Francis Lee Seng Wee, upon re-election, will continue as a Member of the Board of Directors. He is considered an independent director. There are no relationships (including immediate family relationships) between Mr Francis Lee and the other Directors of the Company, the Company or its 10% shareholders*. Please refer to the 'Board of Directors' section of the Company's Annual Report 2017 for information on the current directorships in other listed companies and other commitments of Mr Francis Lee Seng Wee.

Resolution 6(b) – Mr Chng Hwee Hong, upon re-election, will continue as a Member of the Board of Directors. He is considered an independent director. There are no relationships (including immediate family relationships) between Mr Chng and the other Directors of the Company, the Company or its 10% shareholders. Please refer to the 'Board of Directors' section of the Company's Annual Report 2017 for information on the current directorships in other listed companies and other commitments of Mr Chng Hwee Hong.

* "10% Shareholder" is a person who has an interest or interests in one or more voting shares in the Company and the total votes attached to that share, or those shares, is not less than 10% of the total votes attached to all the voting shares in the Company. "Voting shares" exclude treasury shares.

NOTICE OF ANNUAL GENERAL MEETING

UNITED INDUSTRIAL CORPORATION LIMITED

Company Registration No. 196300181E

Incorporated in Singapore

Resolution 7 is to authorise the Directors, from the date of this AGM until the date of the next Annual General Meeting is held or required by law to be held, whichever is earlier (unless such authority is revoked or varied at a general meeting), to issue Shares and to make or grant convertible securities, and to issue Shares in pursuance of such convertible securities, without seeking any further approval from shareholders at a general meeting, up to a number not exceeding 50% of the total number of issued Shares (excluding treasury shares) (calculated as described), provided that the total number of issued Shares and convertible securities which may be issued other than on a pro rata basis to shareholders does not exceed 20% of the total number of issued Shares (excluding treasury shares) (calculated as described). For the purpose of determining the aggregate number of Shares that may be issued, the total number of issued Shares (excluding treasury shares) will be calculated as described.

Resolution 8 is to authorise the Directors, from the date of this AGM until the next Annual General Meeting, to offer and grant options under the Scheme, and to allot and issue Shares pursuant to the exercise of such options provided that the aggregate number of Shares to be issued pursuant to this Resolution 8 does not exceed 5% of the total number of issued Shares on the date immediately preceding the relevant date(s) on which the offer(s) to grant such options is/are made.

NOTICE OF BOOK CLOSURE AND DIVIDEND PAYMENT DATE

NOTICE IS HEREBY GIVEN that subject to shareholders' approval being obtained for the proposed First and Final cash dividend (one-tier tax exempt) of 3.0 cents per share for the financial year ended 31 December 2017, the Register of Members and Share Transfer Books of the Company will be closed at 5.00 p.m. on 8 May 2018 ("Book Closure Date").

Duly completed transfers received by the Company's Share Registrar, Messrs KCK CorpServe Pte Ltd at 333 North Bridge Road #08-00 KH KEA Building, Singapore 188721 up to 5.00 p.m. on the Book Closure Date will be registered to determine shareholders' entitlements to the proposed dividend.

Shareholders whose securities accounts with The Central Depository (Pte) Limited are credited with ordinary shares in the capital of the Company as at 5.00 p.m. on the Book Closure Date will be entitled to the proposed dividend.

The proposed dividend, if approved at the upcoming Annual General Meeting on 27 April 2018 will be paid on 23 May 2018.

UNITED INDUSTRIAL CORPORATION LIMITEDCompany Registration No. 196300181E
Incorporated in Singapore**PROXY FORM
ANNUAL GENERAL MEETING****IMPORTANT NOTES**

1. Relevant intermediaries as defined in Section 181 of the Companies Act, Cap. 50 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 Industrial Corporation Limited shares, this form of proxy is not valid for use 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.
3. 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 6 April 2018.

I/We _____ (Name) _____ (NRIC/Passport/Co Reg Number)

of _____ (Address)

being a member/members of United Industrial Corporation Limited (the "Company"), hereby appoint:-

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings	
			No. of shares	%

and/or (delete as appropriate)

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings	
			No. of shares	%

or failing him/them, the Chairman of the 56th Annual General Meeting ("AGM") as my/our proxy/proxies to attend, speak and vote for me/us on my/our behalf at the AGM of the Company to be held at Grand Ballroom 1 & 2, PARKROYAL on Beach Road, 7500 Beach Road, Singapore 199591 on 27 April 2018 at 1.15 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 AGM as indicated below. 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 AGM.

No.	Resolutions	No. of Votes For *	No. of Votes Against *
1	Adoption of Directors' Statement, Audited Financial Statements and Auditor's Report		
2	Declaration of a First and Final tax-exempt (one-tier) Dividend		
3	Approval of Directors' Fees		
4	Re-election of Directors pursuant to Article 94	(a) Mr James L. Go	
		(b) Mr Gwee Lian Kheng	
		(c) Mr Wee Ee Lim	
5	Re-election of Directors pursuant to Article 100	(a) Mr Francis Lee Seng Wee	
		(b) Mr Chng Hwee Hong	
6	Re-appointment of PricewaterhouseCoopers LLP as Auditor		
7	Authority for Directors to issue shares (General Share Issue Mandate)		
8	Authority for Directors to issue shares (United Industrial Corporation Limited Share Option Scheme)		

* Voting will be conducted by poll. If you wish to exercise all your votes "For" or "Against", please tick (✓) within the box provided. Otherwise, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2018

Shares in:	Total No. of Shares Held
(a) Depository Register	
(b) Register of Members	
Total	

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

IMPORTANT: PLEASE READ NOTES OVERLEAF BEFORE COMPLETING THIS PROXY FORM

Notes:

1. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by the member.
2. (a) A member of the Company who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the AGM in his stead. 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 of the Company who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the AGM, 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, Cap. 50.
3. A proxy need not be a member of the Company.
4. This instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 24 Raffles Place #22-01/06 Clifford Centre Singapore 048621 not less than 72 hours before the time fixed for holding the AGM.
5. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the AGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the AGM in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under this instrument of proxy, to the AGM.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the appointor is a corporation, the instrument of proxy must be executed either under its common seal or under the hand of its duly authorised officer or attorney. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
7. A corporation which is a member may appoint, by resolution of its directors or other governing body, such person as it thinks fit to act as its representative at the AGM, in accordance with Section 179 of the Companies Act, Cap. 50.
8. Any alteration made in this instrument appointing a proxy or proxies must be initialled by the person who signs it.
9. 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 (including any related attachment). In addition, in the case of a member whose shares are entered against his name in the Depository Register, the Company shall be entitled to reject any instrument appointing a proxy or proxies lodged if such member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the AGM as certified by The Central Depository (Pte) Limited to the Company.

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Affix
Postage
Stamp

The Company Secretary
UNITED INDUSTRIAL CORPORATION LIMITED
(Company Registration No. 196300181E)

24 Raffles Place
#22-01/06 Clifford Centre
Singapore 048621

3rd fold here

Fold this flap for sealing



United Industrial Corporation Limited

Company Registration No. 196300181E
Incorporated in Singapore

24 Raffles Place #22-01/06, Clifford Centre, Singapore 048621
Tel: (65) 6220 1352 | Fax: (65) 6224 0278

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