United Industrial Corporation Limited

CONTENTS

Cover: UIC building

Established in 1963, United Industrial Corporation Limited (UIC) has grown to become a premier listed property investment and development company in Singapore. UIC's diverse portfolio includes commercial and retail properties, residential developments and hotels, located both in Singapore and key overseas markets.

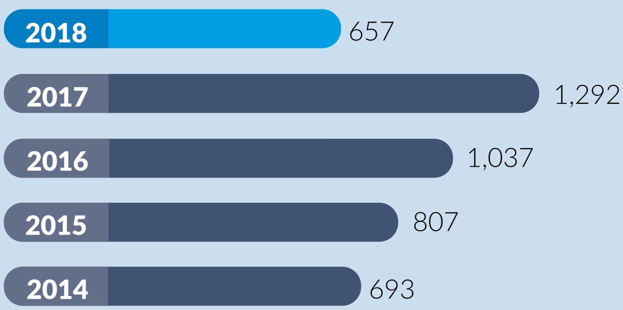
With a growing portfolio of income-producing assets including quality residential projects, UIC is unwavering in its commitment to deliver quality products and services in all its business ventures as well as long-term sustainable value to its shareholders.

UIC believes its people are its most valuable resources and that the well-being of its people is fundamental to the performance of the company. We spare no efforts in nurturing a caring and inclusive culture that is conducive to recruiting and retaining our diverse talents.

GROUP FINANCIAL HIGHLIGHTS

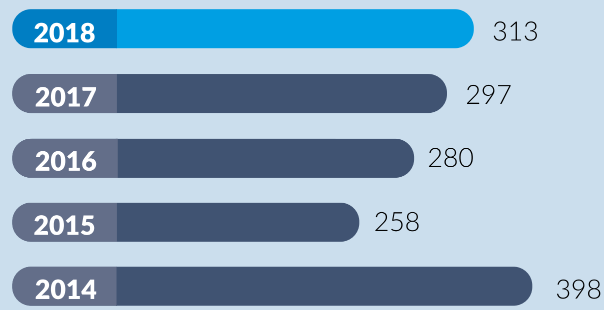
REVENUE

($'million)



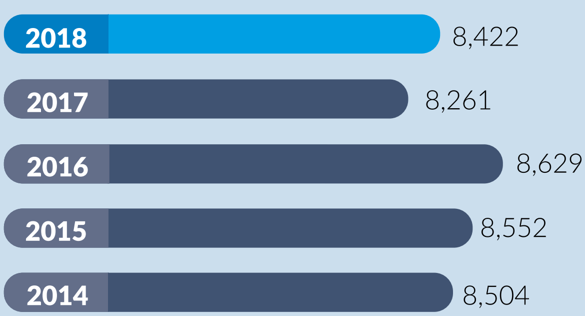
ATTRIBUTABLE PROFIT

($'million)



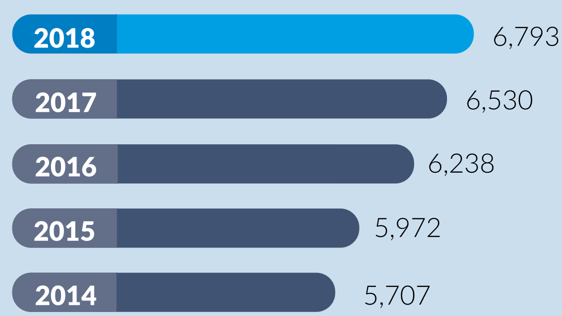
TOTAL ASSETS

($'million)



SHAREHOLDERS' EQUITY

($'million)



($'million)	**2014**	**2015**	**2016**	**2017**	**2018**
Revenue	693	807	1,037	1,292	**657**
Net profit from operations	223	234	243	302	**250**
Net fair value gain/(loss) on investment properties	175	24	37	(5)	**63**
Attributable profit	398	258	280	297	**313**
Total assets	8,504	8,552	8,629	8,261	**8,422**
Shareholders' equity	5,707	5,972	6,238	6,530	**6,793**

CHAIRMAN'S STATEMENT

TOTAL EQUITY

$7.63 bil

TOTAL ASSETS

$8.42 bil

Dear Shareholders

On behalf of the Board of Directors, I am pleased to present UIC's annual report for financial year 2018.

2018 REVIEW

The Singapore economy expanded by 3.2% in 2018, compared to 3.6% in 2017. Growth was supported by outward-oriented sectors including manufacturing, finance and insurance, on the back of resilient external demand. The expansion is more broad-based including domestic-focused sectors such as hospitality and food services.

The residential and commercial property markets continued to grow, albeit at an uneven pace. Grade A Central Business District office rental rates continued to rise in line with steady economic growth. The primary residential market remained positive although growth was tempered by cooling measures introduced in July 2018.

PERFORMANCE REVIEW AND DIVIDEND

The Group's total revenue for the financial year ended 31 December 2018 came in at $657.0 million, 49% lower than the previous year. The lower revenue is mainly due to lower revenue recognition from residential projects, as the existing projects have been completed and substantially sold in the previous year.

Revenue from investment properties and hotel operations remained healthy, growing 2% and 4% respectively.

With support from an improving commercial property market, the Group's office buildings generated rental income of $194.0 million, 4% higher than $187.1 million achieved in the previous year.

The new UIC Building has achieved full commitment for its office space and 100% occupancy from January 2019.

In tandem with the Group's lower revenue, net profit from operations for the Group decreased by 17% to $250.6 million. After adding fair value gain of $62.7 million, the Group's net profit attributable to equity holders was $313.4 million, compared to $297.3 million in 2017.

The Board recommends a first and final tax exempt (one-tier) dividend of 3.5 cents (2017: 3.0 cents) for the financial year ended 31 December 2018. The total dividend payout will amount to $50.1 million.

SINGAPORE

Residential project sales in Singapore have achieved a healthy status with 100% of total units sold at The Clement Canopy, 88% at V on Shenton, 89% at Mon Jervois and 36% at The Tre Ver as at January 2019.

Launched in August 2018, The Tre Ver is a 729-unit residential project jointly developed with UOL Venture Investments Pte Ltd (UOL) on a 50:50 joint venture basis. It is located at the city fringe of Singapore at Potong Pasir Avenue 1 near the Potong Pasir MRT station.

The UIC Group has a 30% share of Avenue South Residence, the new residential site (with commercial at first storey) at Silat Avenue. The site was acquired by UOL, UIC and Kheong Leong Company (Private) Limited for development on a 50:30:20 joint venture basis. The launch of Avenue South Residence is planned for this year.

OVERSEAS

In China, UIC has a 30% stake in Park Eleven, a mixed-use development in Shanghai, north of Hongqiao, the Central Business District. Sales have been very encouraging with more than 90% of units sold under Phase I. There are plans to launch the remaining units for sale this year.

In the United Kingdom, UIC has a 50% share of 120 Holborn, a mixed-use freehold development located in Midtown, Central London, a short walking distance to Chancery Lane and Farringdon Underground Stations. Income from this investment continues to contribute to the Group's earnings.

OUTLOOK FOR 2019

The global economic outlook for 2019 is clouded by global trade tensions, tightening of global financial conditions and moderation in growth in key export markets. Singapore's Ministry of Trade and Industry has indicated that key risks for Singapore include escalating trade conflicts and higher interest rates. The additional cooling measures introduced by the Government in July 2018 together with further planning controls on average unit sizing and gross floor areas in October 2018 are also likely to continue to affect the residential property market.

The Board of Directors is mindful of the challenges ahead. With our combined experience from weathering past business cycles, the Board of Directors intends to utilise the Group's resources to adapt to the changing economic environment and to capitalise on opportunities in Singapore and key gateway cities.

ACKNOWLEDGEMENTS

As Chairman, I would like to express my gratitude to my fellow Directors for their expertise, guidance and advice during the year. I would also like to thank the management and staff for their hard work and dedication.

Last but not least, I extend my appreciation to our partners, customers and stakeholders for their support during the year.

WEE CHO YAW
CHAIRMAN

February 2019

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 has received national and regional awards and industry accolades for his business achievements and support of education, community welfare and the business community.

UIC Board Committee(s)
- Remuneration Committee (Member)
- Nominating Committee (Member)

Present Directorship(s) and Other Principal Commitment(s)
- United Overseas Insurance Limited* (Chairman)
- UOL Group Limited* (Chairman)
- Haw Par Corporation Limited* (Chairman)
- United Overseas Bank Limited* (Chairman Emeritus and Honorary Adviser)
- United Overseas Bank (Malaysia) Bhd (Chairman Emeritus and Adviser)
- PT Bank UOB Indonesia (President Commissioner)
- United Overseas Bank (China) Limited (Supervisor)
- United Overseas Bank (Thai) Public Company Limited (Chairman)
- Pan Pacific Hotels Group Limited (Chairman)
- Marina Centre Holdings Private Limited (Chairman)
- Nanyang Technological University (Pro-Chancellor)
- Singapore Chinese Chamber of Commerce and Industry (Honorary President)
- Singapore Federation of Chinese Clan Associations (Honorary President)
- Singapore Hokkien Huay Kuan (Honorary President)
- Wee Foundation (Chairman)
- Chung Cheng High School (Chairman)

* Listed companies

Past Directorship(s) in Listed Companies and Principal Commitments held over the preceding five years
- Far Eastern Bank Limited (Chairman Emeritus and Adviser) (till May 2018)
- United Overseas Bank Limited (Chairman) (till April 2018)
- Singapore Land Limited (Chairman) (till August 2014)

Professional Qualification(s), Achievement(s) and Award(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)

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.

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)
- Ascendas Funds Management (S) Limited (Chairman)

* Listed companies

Past Directorship(s) in Listed Companies and Principal Commitments held over the preceding five years

- Singapore Land Limited (till August 2014) (Director, President and Chief Executive Officer)

Professional Qualification(s), Achievement(s) and Award(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 Organization (ICAO)
- Friend of Labour; Meritorious Service Awards NTUC
- Former Chairman and Honorary Member, Airports Council International World
- Honorary Fellow, Singapore Institute of Aerospace Engineers
- Public Administration Medal (Gold), Public Service Medal and The Meritorious Service Medal from the Singapore Government in 1982, 2001 and 2006 respectively

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 27 April 2018.

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)
- Oriental Petroleum and Minerals Corporation* (Chairman and Chief Executive Officer)
- Universal Robina Corporation* (Chairman Emeritus)
- Robinsons Land Corporation* (Chairman Emeritus)
- JG Summit Petrochemical Corporation (Chairman Emeritus)
- JG Summit Olefins Corporation (Chairman Emeritus)
- Robinsons Retail Holdings, Inc.* (Vice Chairman)
- PLDT Inc.* (Director, Audit Committee Advisor and Technology Strategy Committee member)
- Cebu Air, Inc.* (Chairman)
- 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 and Principal Commitments held over the preceding five years

- Singapore Land Limited (till August 2014)

Professional Qualification(s), Achievement(s) and Award(s)

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

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 27 April 2018.

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)
- United Overseas Bank Limited* (Director)

* Listed companies

Past Directorship(s) in Listed Companies and Principal Commitments held over the preceding five years

- Hua Han Health Industry Holdings Limited (listed on the Hong Kong Stock Exchange) (till July 2015)
- Singapore Land Limited (till August 2014)

Professional Qualification(s), Achievement(s) and Award(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)

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

* Listed companies

Past Directorship(s) in Listed Companies and Principal Commitments held over the preceding five years

- Singapore Land Limited (till August 2014)

Professional Qualification(s), Achievement(s) and Award(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

BOARD OF DIRECTORS

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 27 April 2018.

UIC Board Committee(s)
- Nil

Present Directorship(s) and Other Principal Commitment(s)
- UOL Group Limited * (Director)

* Listed company

Past Directorship(s) in Listed Companies and Principal Commitments held over the preceding five years
- Singapore Land Limited (till August 2014)
- UOL Group Limited (Group Chief Executive)
- Various UOL subsidiaries

Professional Qualification(s), Achievement(s) and Award(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)
- Bintang Bakti Masyarakat (BBM) Public Service Star by the President of Singapore (2002)
- Pingat Bakti Masyarakat (PBM) Public Service Medal

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 is a chartered insurer with more than 50 years' experience. He is an honorary fellow of the Singapore Insurance Institute and a Justice of the Peace.

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, Director and Senior Advisor)
- United Overseas Insurance Limited* (Director, Chairman of Nominating Committee, Member of Audit Committee and Remuneration Committee)
- Haw Par Corporation Ltd* (Director and Remuneration Committee Member)
- Advisorship and directorships at various companies

* Listed companies

Past Directorship(s) in Listed Companies and Principal Commitments held over the preceding five years
- Singapore Land Limited (till August 2014)

Professional Qualification(s), Achievement(s) and Award(s)
- Chartered Insurer and Associate of the Chartered Insurance Institute, UK
- Singapore Insurance Institute (Honorary Fellow)
- Asian Industry Awards Lifetime Achievement Award (2013)

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 with close to 50 years of professional practice experience, Mr Yang is a life fellow member of the Singapore Institute of Architects and a fellow member of the Singapore Society of Project Managers.

UIC Board Committee(s)
- Audit Committee (Chairman)
- Nominating Committee (Member)

Present Directorship(s) and Other Principal Commitment(s)
- United Overseas Insurance Limited* (Director, Chairman of Audit Committee, Member of Nominating Committee and Remuneration Committee)

* Listed company

Past Directorship(s) in Listed Companies and Principal Commitments held over the preceding five years
- United International Securities Ltd (till December 2015)
- Singapore Land Limited (till August 2014)

Professional Qualification(s), Achievement(s) and Award(s)
- Bachelor of Architecture (Honours) Melbourne University, Australia
- Bintang Bakti Masyarakat (Public Service Star, Singapore) in 1996

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)

* Listed companies

Past Directorship(s) in Listed Companies and Principal Commitments held over the preceding five years
- Jubilant Pharma Limited (till September 2018)
- Neptune Orient Lines (till May 2016)
- Singapore Land Limited (till August 2014)
- Tuas Power Ltd (till April 2014)

Professional Qualification(s), Achievement(s) and Award(s)
- Bachelor of Laws (Honours), King's College, University of London
- Barrister-at-Law (Gray's Inn)

BOARD OF DIRECTORS

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, Inc (Director)
- Equicom Inc. (Director)
- Equicom Manila Holdings (Director)
- Medilink Network, Inc. (Director)
- Equitable Development Corporation (Director)
- Go Kim Pah Foundation Inc. (Trustee)
- Equitable Foundation Inc. (Trustee)
- Gokongwei Brothers Foundation, Inc. (Trustee)
- JG Summit Holdings, Inc.* (Director)

* Listed companies

Past Directorship(s) in Listed Companies and Principal Commitments held over the preceding five years
- Nil

Professional Qualification(s), Achievement(s) and Award(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

FRANCIS LEE SENG WEE
Non-Executive and Independent

Mr Francis Lee Seng Wee first appointed on 12 March 2018, was last re-elected as Director 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)
- 1828 Pte Ltd (Director)
- Archdiocesan Land and Properties Singapore (ALPS) (Vice Chairman)

Past Directorship(s) in Listed Companies and Principal Commitments held over the preceding five years
- Nil

Professional Qualification(s), Achievement(s) and Award(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 first appointed on 23 March 2018, was last re-elected as Director on 27 April 2018. Mr Chng was an Executive Director of Haw Par Corporation Ltd prior to his retirement in 2012. He was appointed as a member of the Sub-Committee on Maximising Value from Land as a Scarce Resource of the Economic Strategies Committee and a member of the Singapore-Sichuan Trade & Investment Committee. Active in community work, Mr Chng currently serves on a number of community and non-profit organisations.

UIC Board Committee(s)

- Nil

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

- United Overseas Insurance Limited* (Director and Audit Committee Member)
- 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 and Principal Commitments held over the preceding five years

- Yuhua Citizens' Consultative Committee (Chairman) (till March 2017)
- Kong Meng San Phor Kark See Monastery (Audit Committee Chairman) (till February 2016)

Professional Qualification(s), Achievement(s) and Award(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
- Pingat Bakti Masyarakat (Public Service Medal) in 2014 from the President of the Republic of Singapore for his involvement in social and charitable works

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
Lim Hock San	President & Chief Executive Officer	01.04.92	28.04.17
James L. Go	Non-Executive Director	28.05.99	27.04.18
Lance Yu Gokongwei	Non-Executive Director	28.05.99	28.04.17
Wee Ee Lim	Non-Executive Director	28.05.99	27.04.18
Gwee Lian Kheng	Non-Executive Director	28.05.99	27.04.18
Alvin Yeo Khirn Hai	Non-Executive and Independent Director	11.09.02	28.04.17
Hwang Soo Jin	Non-Executive and Independent Director	31.01.03	22.04.16
Antonio L. Go	Non-Executive and Independent Director	25.04.07	22.04.16
Yang Soo Suan	Non-Executive and Independent Director	27.04.12	22.04.16
Francis Lee Seng Wee	Non-Executive and Independent Director	12.03.18	27.04.18
Chng Hwee Hong	Non-Executive and Independent Director	23.03.18	27.04.18

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

Auditor

PricewaterhouseCoopers LLP
7 Straits View, Marina One, East Tower, Level 12
Singapore 018936
Audit Partner: Marcus Lam Hock Choon
(appointed with effect from financial year 2018)

Share Registrars

KCK CorpServe Pte Ltd
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
Clifford Centre
Singapore 048621
Telephone: 6220 1352
Facsimile: 6224 0278
Website: www.uic.com.sg

Company Registration Number

196300181E

MANAGEMENT REVIEW

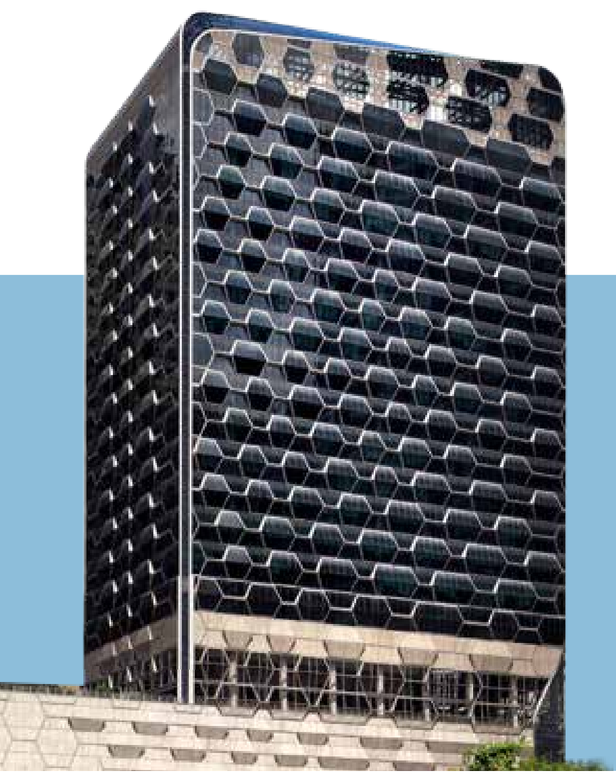
Singapore Commercial Office Properties

2018 OVERVIEW

Amidst limited supply of office space in the near term, and positive business sentiments, the office market registered stronger leasing activities in 2018 with higher demand from technology companies and co-working operators. Notwithstanding the stronger leasing activities, the growth of rental rates for Grade A Central Business District premises has been at a slower pace for four consecutive quarters from the initial 4.3% and ended at 2.3% for the year.

MANAGEMENT REVIEW

Singapore Commercial Office Properties



UIC BUILDING

UIC Building, the office tower located at 5 Shenton Way, has achieved full occupancy since January 2019. The landmark redevelopment of the former UIC Building was designed by world renowned Dutch architect, Ben van Berkel of UN Studio.

The building is expected to obtain Certificate of Statutory Completion by second quarter 2019.

PROPERTY PORTFOLIO

SINGAPORE LAND TOWER

During the year under review, Singapore Land Tower in Raffles Place achieved an average occupancy of 97% notwithstanding strong competition from newer Grade A buildings within the Raffles Place area and Marina Bay Financial District. Rental revenue, however, declined marginally by 1% compared to the preceding year.

The Closed Circuit TV (CCTV) system at Singapore Land Tower was upgraded during the year to a network system, which reduces the need for hard cables and is expandable to cater for Internet Of Things (IOT) in the future. The new system has high resolution cameras to enhance security within the building.

CLIFFORD CENTRE

Although it is the oldest building in the Group, Clifford Centre at Raffles Place achieved an average occupancy of 92% throughout the year. However, rental revenue declined by 4% compared to the preceding year, due to market rents being lower than expiry rents.

The retail premises, which formed 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.

To improve the performance of Clifford Centre's M&E provisions, the building's electrical installations, air-conditioning system and fire protection system were replaced and upgraded during the year.

MANAGEMENT REVIEW

Singapore Commercial Office Properties

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. In the year under review, the buildings located at Shenton Way maintained an average occupancy of 98%. Rental income declined by a slight 1% compared to the preceding year.

During the year, the buildings embarked on the upgrading of washrooms as well as the fire alarm system to serve its tenants better.

The Group continued to serve as the managing agent for the buildings. Continual efforts were taken to ensure that the facilities are maintained in good and serviceable condition.

THE GATEWAY

The iconic twin towers are located along Beach Road, just outside the Central Business District. Despite 33% of leases expiring during the year under review, The Gateway achieved committed occupancy of 93% as at the end of 2018. Rental revenue, however, declined by 5% compared to the preceding year.

During the year, the gondola systems were replaced to facilitate the upgrading of the building facade. The building also embarked on the Green Mark initiative commencing with a Green Mark analysis.

ABACUS PLAZA AND TAMPINES PLAZA

These twin office towers situated in the Tampines Regional Centre are within walking distance of the Tampines MRT station and several shopping malls. ABACUS Plaza achieved full occupancy for the year under review and maintained its rental income while occupancy at Tampines Plaza was 90% due to the non-renewal of a tenant relocating to larger premises in The Gateway.

During the year, the Public Address System was upgraded.

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 continued to maintain rental income and occupancy at 97% for the year.

The building embarked on the Green Mark initiative commencing with a Gap Analysis during the year.

MANAGEMENT REVIEW

Singapore Commercial Retail Properties

MARINA SQUARE SHOPPING MALL

Marina Square Shopping Mall is located in the prime Marina Centre 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 the emphasis on experiential shopping being key in today's market, Marina Square's positioning was progressively re-aligned in 2018 to focus on the four "E"s, namely Entertainment, Enrichment, Education and Eating to form an overall experience to engage customers.

In line with its repositioning to provide more activity-based experiences for the whole family, Marina Square has also secured the world's first NERF-dedicated attraction by Kingsmen. The attraction, slated to open in the second half of 2019, will feature Hasbro's NERF brand within multiple activity zones that promote active learning, team work and encourage participants to explore beyond their comfort zones while having fun. Adding to the fun element, another new line-up for the mall is Kiztopia, which will open their first kids' indoor edutainment centre with a themed playground and café in mid-2019. This will be their first and flagship store in Singapore. Headquartered in China and trading under the name Baby Heroes, the concept is an integration of kids' play areas and gym, incorporating activities such as role play experiences, augmented reality, arts & crafts, trampoline, learning corner and workshops. As part of the concept, there will be at least 10 animal characters (under the intellectual property of Kiztopia) which are designed by the popular LINE App designers in Korea. The mall's leasing activities gained traction and occupancy increased with the opening in August 2018 of a new anchor tenant, Justco, Singapore's established co-working space operator.

In 2018, Marina Square also welcomed the addition of Hai Di Lao, an established hotpot concept that originated from Sichuan, China. It was founded in 1994 and has expanded to more than 300 branches in China. There are currently 11 outlets in Singapore, but the Marina Square outlet targeted to open by 3rd quarter of 2019, will be different from their current ones. Other additions to boost Marina Square's positioning includes Music Platform, Modern Fencing, Shang Pin Hot Pot and Gyu-Kaku BBQ Restaurant.

Marina Square hosted various advertising and promotional activities throughout the year. In February, Chinese New Year festivities included a Topiary Garden showcasing 3D Chinese zodiac signs, festive fairs and floral arrangement demonstrations. In March, the mall held its annual signature balloon event, themed 'Fantasy Zoo' which saw the Central Atrium being transformed into a zoo filled with different animals sculpted with 120,000 colourful balloons. The event garnered substantial media coverage and audience.

The year ended with a popular character live show, Robocar Poli & Friends, taking centre-stage during the Christmas Campaign, and the launch of Marina Square's loyalty programme, where shoppers can accumulate rewards points which may be redeemed for a variety of perks.

MARINA SQUARE HOTELS

Performance in 2018

The three Marina Square hotels, namely Pan Pacific Singapore, Marina Mandarin Singapore and Mandarin Oriental, Singapore, have registered strong performance in 2018 due to higher than expected growth in visitors' arrivals to Singapore and benefitted greatly from major events including the ASEAN Summit 2018. With Singapore moving towards a leaner manning environment, technology and automation will be tapped into to improve work-flow and efficiency and to contain operating costs in the long run.

Outlook for 2019

The hospitality industry in Singapore expects the growth momentum in 2018 to continue into 2019 as the supply of new hotels is tapering and the number of visitor arrivals continue on its upward trend. However, escalating geo-political and trade tensions will have an adverse impact on the hotel industry, particularly on corporate travels.

MANAGEMENT REVIEW

Singapore Commercial Retail Properties

NOVENA SQUARE

The Group has a 20% interest in Novena Square, a mixed-use development located above Novena MRT Station. Novena Square consists of two blocks of 18 and 25-storey offices with a total lettable area of 41,627 sqm and a 3-storey retail mall with a total lettable area of 15,896 sqm. For the year 2018, the development achieved an average occupancy rate of 97% for the office towers and an average occupancy rate of close to 100% for the retail component, Velocity @ Novena Square ("Velocity").

2018 saw notable new inclusions at Velocity. Well-known climbing gym, Climb Central, officially opened at Level 3 with its unique cylinder structure enhancing the mall's ambience. Decathlon, the popular sports store opened their second click-and-collect store in time for Christmas. These additions further strengthen Velocity's positioning as a sports mall. Trendy eateries like Workshop Espresso Bar and A Poke Theory offer shoppers healthy and wholesome dining options. 70-year old US burger joint, Fatburger, also opened their first outlet in Singapore at Velocity.

Works have been in place to revamp the second level of the mall to improve the traffic circulation. A new walkway was added to link shoppers directly from the side entrance near the office lobby to the Velocity wing. The mall also took this opportunity to add new washrooms, shower facilities and nursing room to better serve office workers and shoppers.

Signature events such as Velocity Urban Attack, Sports & Fitness Bazaar and the Christmas festival continued to entertain shoppers in the mall. Velocity Urban Attack has retained its branding as the premier urban obstacle course, attracting both local as well as regional participants from Vietnam, Malaysia, Thailand and gained attention from sports enthusiasts from United States, Australia, Denmark and Russia. In September, the Velocity Sports & Fitness Bazaar proved to be popular with both shoppers and retailers. Shoppers not only got to try new workouts but enjoyed attractive sports deals offered by retailers. For Christmas, Velocity replicated the hot air balloon festival with various experiential and Instagram-worthy zones.

Velocity remained a preferred venue for race kit collections despite keen competition from other locations. A total of 18 race kit collections took place in the mall in 2018 for major runs such as Safari Run, King of Trails, Mizuno Women Run, Spartan Mass Workout, Singapore Kindness Run, Unlabelled Run, Trifactor Series, etc. These race kit collections attracted an additional crowd of 5,000 to 10,000 people over the weekends.

WEST MALL

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

The mall held various events and promotional campaigns throughout the year. In keeping with Chinese New Year traditions, shoppers were treated to traditional Lion and Dragon Dance Performances. During the month of July, a Durian Fiesta was organised as part of a promotion to draw crowds to the mall.

In celebration of the nation's birthday and to support community outreach, West Mall, together with Bukit Batok Community Centre, hosted a series of art and music workshops including Art Jamming, Music and Dance Performance. On National Day, residents started the day with a morning walk to West Mall organised by Bukit Batok Community Centre followed by a Great Singapore workout session at the mall. These activities have enhanced and improved the mall's footfall during the months of July and August.

The mall's traditional Christmas celebrations included a performance by Rudy Guemes, an artist from Argentina, who entertained the crowd with his magical change of costume into Santa Claus while inside a giant balloon. Shoppers also grooved to the rhythmic beat of SISAY, an Ecuadorian ensemble, performing Latin and world music with a festive twist, who returned to the mall by popular demand for the fourth consecutive year.

During the year under review, the mall continued to enjoy almost full occupancy although total revenue declined slightly by 2% due to challenging retail conditions. The mall is BCA Green Mark Certified (Gold) and continues to focus on green initiatives to increase energy and cost efficiency.

MANAGEMENT REVIEW

Singapore Residential Properties

Artist's Impression of The Tre Ver

2018 OVERVIEW

Singapore's island-wide private residential property price index increased 7.9% in the year 2018. This momentum has, however, been tempered by the introduction of additional property cooling measures on 6 July 2018.

Coupled with the revision to the guidelines on the number of maximum allowable dwelling units in non-landed residential developments outside the Central Area, as announced by the Urban Redevelopment Authority on 17 October 2018, which came into effect on 17 January 2019, the impact on the residential market remains to be seen.

Nonetheless, with the successful acquisition of the land parcel located at Silat Avenue in April 2018 subsequently named Avenue South Residence, and the launch of The Tre Ver (former Raintree Gardens) in August 2018, both joint venture projects, the Group is well-positioned for a steady stream of revenue in the short term. The other residential projects under the Group's portfolio have also been substantially sold.

PROPERTY PORTFOLIO

V ON SHENTON

Strategically located on Shenton Way in the Financial District of Singapore, the 54-storey tower is the residential tower of the re-developed former UIC Building. This development is poised to benefit from the completion of the upcoming Shenton Way MRT station by 2021, which will be situated within walking distance, and its close proximity to the future Greater Southern Waterfront. Designed by world-renowned Dutch architect, Ben van Berkel of UNStudio, the towering V on Shenton boasts views of both the sea and the city skyline. As at January 2019, 88% of the 510 residential units have been sold.

MON JERVOIS

Designed by Singapore's award-winning architectural firm, Ong & Ong, Mon Jervois is a luxury 109-unit boutique development located in Prime District 10. Nestled in an exclusive residential enclave of low-rise condominiums in the Good Class Bungalow neighbourhood of Jervois, Bishopsgate and Chatsworth, it is within eight minutes' drive of the Singapore Botanic Gardens, Orchard Road and CBD. As at January 2019, 89% of the units have been sold.

MANAGEMENT REVIEW

Singapore Residential Properties

THE CLEMENT CANOPY

The Clement Canopy is a 505-unit residential development located in Clement Avenue 1 and in close proximity to Clementi Town Centre, National University of Singapore, Yale-NUS College and Science Park. Designed by Singapore's award-winning architectural firm, ADDP Architects LLP, the residential units are housed in two soaring 40-storey towers, of which 44% of the units enjoy West Coast sea views. It will be the tallest building in the world constructed using the Prefabricated Prefinished Volumetric Construction method. A 50:50 joint venture development with UOL, it is scheduled to be completed in 2019 and is 100% sold.

Artist's Impression of The Clement Canopy

Artist's Impression of The Tre Ver

THE TRE VER

Designed by President Design Award-Winning Architectural firm, WOHA Architects, The Tre Ver is a 729-unit residential development located in Potong Pasir Avenue 1, on the former Raintree Gardens site. Situated along the scenic Kallang River, its design was inspired by the majestic trees along the river and the scenic river view. Conveniently located within 10 minutes' walking distance of Potong Pasir MRT station and 10 minutes' drive to the city, other surrounding amenities include St. Andrew's Village, Stamford American International School and Bidadari Park. A 50:50 joint venture development with UOL, it was launched in August 2018 and as at January 2019, 36% of the total units have been sold.

PROPERTY PORTFOLIO

Artist's Impression of Avenue South Residence

AVENUE SOUTH RESIDENCE

The 99-year leasehold site was purchased under the Government Land Sales (GLS) Programme in April 2018 on a 50:30:20 joint venture basis between UOL, UIC and Kheng Leong Company Private Limited respectively. Located right next to the Rail Corridor and in close proximity to the CBD and the future Greater Southern Waterfront, the site is zoned Residential with commercial at first storey. The project is targeted to be launched in 2019 with an estimated 1,074 residential units.

MANAGEMENT REVIEW

Overseas Investment

THE EXCELLENCY, CHENGDU

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

The Group has sold all residential units in the development. As at December 2018, only one retail unit and 162 car park lots remain unsold.

PARK ELEVEN, CHANG FENG, SHANGHAI

The Group has a 30% interest in Park Eleven, a mixed-use development of 398 residential units and a retail mall. It is situated within the Changfeng Ecological Business Park and north of Hongqiao, the Central Business District. The development obtained TOP in December 2018.

The pre-sale permit for the first batch of 164 residential units was obtained in September 2016 with 152 residential units sold as at January 2019. The Group targets to obtain the sale permit for the remaining 234 residential units (Phase 2 – 183 Apartment Units and Phase 3 – 51 Town House Units) in the second quarter of 2019 after strata subdivision is completed. The Group intends to launch these units for sale by mid-2019 upon obtaining pricing approval.

YAN YUAN INTERNATIONAL HOTEL

The Group has a 36% interest in the hotel.

Formerly known as the Sheraton Tianjin, with 240 guest rooms and 56 serviced apartments, the Yan Yuan International Hotel is located strategically in the Tianjin Hexi district which 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 September, the hotel was one of the official hotels for the 12th Summer Davos Forum.

During the year, the hotel's revenue per available room at RMB 306 was 3% lower than the previous year, with a 3 percentage point decrease in occupancy at 59%.

View from hotel

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, which is 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 September, the hotel hosted global delegates for the 12th Summer Davos Forum.

During the year, the hotel's revenue per available room at RMB 487 was 5% higher than the previous year, due to a 5% increase in average room rate and a stable occupancy rate of 76%.

MANAGEMENT REVIEW

Overseas Investment

PROPERTY PORTFOLIO

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.

BEIJING LANDMARK TOWERS

The Group has a 19.95% interest in Beijing Landmark Towers, a mixed-use development comprising a hotel, an apartment block and two office towers. The Group received net dividends of $2.7 million for the year under 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 2018, UICT's revenue increased by 26% from $99.2 million in 2017 to $125.5 million. Pre-tax profit was $3.9 million with 18% Return on Total Equity, a 47% increase from the $2.7 million achieved in 2017.

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 of $1 million for 2018 and a positive cash balance of $13.9 million as at 31 December 2018.

Despite the projected slow down in 2019 for Singapore's economy and salary increases amid talent crunch in its focus areas, UICT strives to maintain its status as a preferred IT Solutions and Service Provider in Singapore.

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

To stay relevant, UICT will leverage its accreditation as a Microsoft Cloud Platform (Azure) Gold partner, Microsoft Cloud Productivity (Office 365) Gold partner and HP Enterprise Platinum partner and a newly appointed Apple authorized Reseller to speed up its transformation to offer Cloud Computing, Mobility, Data Centre Transformation and Security Services to the education, financial services, healthcare, small medium corporate and public sectors in 2019.

HUMAN RESOURCES

The UIC Group recognises that its people are crucial to the growth and sustainability of its business, and has in place adequate practices and initiatives to retain, recruit, develop and nurture talent. UIC carries out these employment practices and initiatives in accordance with the Sustainability Reporting Guidelines.

As part of the Group's efforts to promote the professional development and personal well-being of its employees, employees are encouraged to attend training courses, seminars and health and financial literacy talks organised and sponsored by the Group. As part of its Workplace Health Promotion Programme, the Group organises activities such as Health and Fitness Day with Zumba, Bike for a Cause and badminton sessions throughout the year, as well as quarterly fruits distribution and annual on-site health screenings. UIC continued participating in the HPB Corporate Steps Challenges and was accorded the Platinum Award for the Corporate Friends of National Steps Challenge.

Recognising the contributions of its employees, the Group treats employees to a year-end luncheon and presents gift vouchers to staff members on their birthdays. Long service awards are also presented annually to employees who have served the Group for at least five years.

The Group's corporate social responsibility initiatives include donations to Tan Tock Seng Hospital Charity Cycle, Care Corner Singapore and Bike for a Cause - Do Good, Go Ride.

PROPERTY SUMMARY

As at 31 December 2018

	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	96
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**	1,580
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**	527 (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**	563
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**	1,123
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**	96 95
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 (in respect of the mixed development, including the 3 hotels)	315,211	206,841	1,990	53	1,068 (in respect of retail mall)
UIC Building This is part of a mixed development (residential and commercial) located at 5 Shenton Way with the residential component, V on Shenton classified under properties held for sale	99-year lease from 2011	6,778	30,935	26,373	591 (for the whole development)	100	667
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	1,378
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	430

* Effective interest is 99.8%
**Effective interest is 99.7%

	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 a 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
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
Under Development					
The Tre Ver 729-unit condominium development at Potong Pasir Avenue 1	Leasehold	18,711	52,391	2021	50
Avenue South Residence Estimated 1,074-unit condominium development with commercial at first storey at Silat Avenue	Leasehold	22,851	84,550	2022	30

* Effective interest is 99.8%
** Effective interest is 99.7%

CORPORATE GOVERNANCE REPORT

For the Financial Year Ended 31 December 2018

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 to enhance long-term value for shareholders 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, guidelines, and recommendations in 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 profiles of the Directors are set out on Pages 4 to 11 of the Annual Report.

The Board's role is 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 best 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 has its own terms of reference and 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 all Directors updated on each Board Committee's activities.

Changes to the Board Committees' composition and appointments to the Board Committees are approved by the Board. The membership of each Board Committee is set out on page 12 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, the Board's approval is required for material commitments and payment of operating and capital expenditures above certain threshold limits. The Board delegates the authority to approve transactions of lower threshold limits to the Chief Executive Officer ("CEO").

Board Meetings

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 Director(s) are unable to attend meeting(s) in person, attendance through telephonic means are 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 have the opportunity to convey his views, if any, to the Chairman of the Board and/or Board Committee for consideration or discussion with the other Directors. To enable members of the Board and Board Committees to prepare for the meetings, materials are despatched to them one week in advance. The Board and Board Committees may also make decisions by way of resolutions in writing.

CORPORATE GOVERNANCE REPORT

For the Financial Year Ended 31 December 2018

The Directors' respective attendance at Board and Board Committee meetings held in 2018 is set out below:

Name	Attendance at 4 Board Meetings	Attendance at 6 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.[1]	0	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
Wee Ee Lim	4	n/a	n/a	n/a
Gwee Lian Kheng	4	n/a	n/a	n/a
Alvin Yeo Khirn Hai	3	5	n/a	1
Hwang Soo Jin	4	5	1	1
Antonio L. Go	4	n/a	1	1
Yang Soo Suan	4	6	1	n/a
Francis Lee Seng Wee[2]	2	n/a	n/a	n/a
Chng Hwee Hong[3]	3	n/a	n/a	n/a

1 Dr John Gokongwei, Jr. retired as a Director on 27 April 2018
2 Mr Francis Lee Seng Wee was appointed as an Independent Director on 12 March 2018
3 Mr Chng Hwee Hong was appointed as an Independent Director on 23 March 2018

Each newly appointed director would receive a formal letter of appointment setting out his/her duties and responsibilities as a director of the Company and the policies and practices of the Group. In addition, he/she would also be provided an information pack containing the Group's organisation structure, the Company's most recent annual report, the Constitution, the terms of reference of the respective Board Committees, and the Group's policy on the disclosure of interest in securities and prohibition of dealings in the Company's securities. The Company familiarises all incoming directors with the Group's management, business and corporate governance practices.

Recognising the importance of regular training and continual professional development of all Directors, the Company funds and encourages its Directors to attend relevant seminars, courses and talks relating to Board matters, new laws, regulations and guidelines and other matters which relate to the Company's business. The Company Secretary also regularly updates the Board on changes to existing laws, regulations and guidelines. 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.

Board Composition

The current Board comprises 12 directors, six of whom are independent. With the exception of the President & CEO, all Directors are non-executive.

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 or finance, legal, banking, business or management, and industry knowledge. As a group, the Board provides an appropriate balance and diversity of skills, experience, qualifications, core competencies and knowledge of the Company.

Taking into account the nature and scope of the Group's operations, the Board, in consultation with the NC, is satisfied that the current Board size and composition are appropriate for effective discussion and decision-making and that no individual or small group of individuals

CORPORATE GOVERNANCE REPORT

For the Financial Year Ended 31 December 2018

dominates the Board's decision-making process. With the majority of Directors being non-executive and independent of Management in terms of character and judgement, and half of the Board Members being considered independent, objectivity on issues deliberated is assured. Where a Director has a conflict of interest in a particular matter, he will be required to recuse himself from the Board's deliberations and will abstain from voting on the matter.

Independence

Having regard to the views of the NC, the Board determines annually, and as and when circumstances require, the independence of each Director in accordance with the Code. An independent director is one who has no relationship with the Company, its related corporations and its shareholders who hold 10% or more of the voting shares of the Company, or its officers that could interfere, or be reasonably perceived to interfere with the exercise of his/her independent business judgement.

Based on each independent Director's confirmation of his independence, a declaration drawn according to the guidelines of the Code, the Board has determined that M/s Hwang Soo Jin, Antonio L. Go, Alvin Yeo Khirn Hai, Yang Soo Suan, Francis Lee Seng Wee and Chng Hwee Hong are deemed independent directors ("Independent Directors") for the financial year ended 2018. Each of these Directors who are also members of the NC has abstained from deliberations in respect of his own assessment.

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

The NC further noted that Mr Alvin Yeo Khirn Hai is a partner of WongPartnership LLP, which has provided legal services to the Group for the year 2018, 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, did not involve himself in the selection or appointment of WongPartnership LLP's legal counsel by the Group and that Mr Yeo supports the use of market rates for remuneration of legal services.

The NC also noted that Mr Francis Lee Seng Wee is a director of DP Architects Pte Ltd, which has provided professional services to the Group for the year 2018, for which fees of more than $200,000 have been billed.

The independence of each of the Independent Directors who have served on the Board beyond nine years, namely M/s Alvin Yeo Khirn Hai, Hwang Soo Jin and Antonio L. Go, was subject to rigorous scrutiny by the NC. 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.

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 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 Board, in consultation with the NC, regularly reviews the need for a lead independent director. For the financial year ended 2018, the Board has found that each Independent Director has exercised independent judgment in discharging his responsibilities as a Director and has at all times acted in the best interests of the Company and its shareholders. In addition, the regular and active interactions amongst the Directors 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. Consequently, although the Chairman is non-independent, the Board does not consider it presently necessary to appoint a lead independent director amongst them.

CORPORATE GOVERNANCE REPORT

For the Financial Year Ended 31 December 2018

Non-Executive Directors

In addition, the non-executive directors ("Non-Executive Directors") effectively monitor 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 among its top management. Such division of responsibilities is established and agreed on by the Board.

The non-executive Chairman and the President/CEO are not related to each other. Their roles are kept separate to ensure a clear division of responsibilities. Whilst the President/CEO receives support and guidance from the Board, he has full executive responsibility for the management of the Group's business operations and the effective implementation of the Group's strategies and policies.

The Chairman's responsibilities include:

- leading the Board to ensure its effectiveness on all aspects of its role;
- setting the Board 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 within 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;
- ensuring the Board's performance is regularly evaluated;
- facilitating the effective contribution from Non-Executive Directors in particular; and
- promoting high standards of corporate governance.

BOARD MEMBERSHIP

Nominating Committee

The NC comprises 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.

Through the NC, the Board reviews its composition and the composition of Board Committees annually. The NC seeks to ensure that the Board is composed of an appropriate balance and diversity of age, race, skills, experience and gender and that the Directors, as a group, have the necessary competence to manage Group's business.

The main Terms of Reference of the NC are:

- reviewing the succession plans for key management personnel and 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 diversity and skills required by the Board;
- reviewing the size of the Board;
- reviewing the independence of each Director annually, and ensuring that half of the Board comprises Independent Directors;
- making a reasoned assessment 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, reviews and recommends the Directors' succession, induction, training and leadership development plans for the Board's approval.

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When the need arises, the NC and the Board will leverage on their combined extensive professional network and resources to recruit suitable candidates.

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 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") ("one-third rotation rule"). In addition, all newly appointed Directors are required to submit himself or herself for retirement and re-election at the AGM immediately following his or her appointment. Thereafter, he or she will be subject to the one-third rotation rule.

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. Relevant information on Directors seeking re-election or appointment at an AGM is provided in the Annual Report.

Where a Director holds multiple Board memberships, the NC regularly reviews whether or not that Director is able to and has adequately carried out his duties as a director of the Company. The NC is satisfied that notwithstanding the multiple listed company board representations and principal commitments, each Director has been able to commit time and attention to the affairs of the Group and has participated actively and robustly in Board discussions and meetings and related Board Committee meetings.

The Board is of the view that it is presently unnecessary to impose a cap on the maximum number of listed board representations as the commitment required of each Director would vary and each Director will be able to evaluate his ability to allocate sufficient time and attention to adequately carry out his duties as a Director of the Company. Where a Director faces any issue with competing time commitments, the Director may raise it with the NC Chairman. For 2018, the NC is satisfied that the Directors' other appointments and commitments have not impeded their ability to effectively discharge their duties as Directors to the Company. This review is conducted annually.

Information on the Directors, including the year of initial appointment, date of last re-election and membership on Board Committees is set out in the section of this Annual Report entitled "Corporate Information" on page 12.

The Company does not have any alternate Directors 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 considered the Group's financial performance against its budgets and prior year's results, as well as quantitative indicators which include return on equity, return on assets and total shareholder return. 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, sense of independence and integrity, attendance as well as the level of contribution 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 2018, 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.

CORPORATE GOVERNANCE REPORT

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Access to Information

The Company recognises the importance of providing Directors with complete, adequate and timely information on an ongoing basis to enable them to make informed decisions, discharge their duties and keep abreast of the Company's operational and financial performances, key issues, challenges and opportunities. The Directors also have separate and independent access to the Company Secretary and management personnel, and are entitled to request for any additional material or information.

To allow Directors sufficient time to review Board papers and prepare for each Board and Board Committee meeting, Directors are provided with Board papers and related material one week in advance. Relevant management personnel are present at the Board and Board Committee meetings to give their presentations to and answer any queries from Directors. Management also provides Directors with monthly management accounts.

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.

Company Secretary

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 attends all Board Meetings and 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; and
- 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 other applicable rules and regulations.

From time to time, the Company Secretary circulates to the Board articles and press releases relevant to the Directors or 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 updated on relevant laws and regulations, industry issues, practices and trends pertaining to Corporate Governance matters which may affect the Board and Board Committees.

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

ANNUAL REMUNERATION REPORT

Remuneration Committee

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 benefits 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;
- setting remuneration policies and determining the relationship between remuneration, performance and value creation;
- 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 (including the President/CEO) and key management personnel. In its review, the RC examines

CORPORATE GOVERNANCE REPORT

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the Group's performance targets via Key Performance Indicators ("KPIs") such as profits, return on equity, total shareholder return, leasing rates and residential properties 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 has access to professional advice from external consultants, when necessary, before recommending Directors' fees. For the financial year ended 31 December 2018, no remuneration consultant was appointed to review the Directors' remuneration.

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.

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 in line with the Group's long term goals and risk policies, and are compatible with the market so as to attract, motivate and retain key talents for the success and growth of the Group.

A portion of the President/CEO's and key management personnel's remuneration is linked 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 payment. 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 including 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 52 under "Share Options" and can also be found on the Company's website, www.uic.com.sg.

For the year 2018, the RC was satisfied that the performance targets relied on to determine the President/CEO's and key management personnel's entitlement were met.

Disclosure on Remuneration

Non-Executive Directors are paid basic Directors' fees and additional fees for participation in Board Committees. The Chairman and Deputy Chairman of the Board, and the chairman of each Board Committee would receive a higher fee for their additional responsibilities. The RC ensures that the recommended compensation commensurates with the effort, time spent and role of each Non-Executive Director. The RC recommends Directors' fees to the Board for endorsement which would then be submitted to shareholders for approval at each AGM.

There are no special service contracts offered by the Company.

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Remuneration of Directors[1] for the Year Ended 31 December 2018 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	56	34	1	9	1,398
Non-Executive Directors					
Wee Cho Yaw	n/a	n/a	100	n/a	89
John Gokongwei, Jr.[2]	n/a	n/a	100	n/a	33
James L. Go	n/a	n/a	100	n/a	69
Lance Yu Gokongwei	n/a	n/a	100	n/a	27
Wee Ee Lim	n/a	n/a	100	n/a	27
Gwee Lian Kheng	n/a	n/a	100	n/a	42
Alvin Yeo Khirn Hai	n/a	n/a	100	n/a	54
Hwang Soo Jin	n/a	n/a	100	n/a	61
Antonio L. Go	n/a	n/a	100	n/a	41
Yang Soo Suan	n/a	n/a	100	n/a	54
Francis Lee Seng Wee[3]	n/a	n/a	100	n/a	27
Chng Hwee Hong[4]	n/a	n/a	100	n/a	27

* Includes fees payable for directorship in subsidiary companies (if applicable)
[1] To be approved by shareholders at the AGM
[2] Dr John Gokongwei, Jr. retired as a Director on 27 April 2018
[3] Mr Francis Lee Seng Wee was appointed as an Independent Director on 12 March 2018
[4] Mr Chng Hwee Hong was appointed as an Independent Director on 23 March 2018

Remuneration of Key Management Personnel (who are not also Directors) for the Year Ended 31 December 2018 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	58	18	24
Han Chan Juan	63	18	19
Kenneth Lee Ngai Hon	62	17	21
Koh Kim Meng	66	18	16
Chan Yien Mei	73	20	7

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The total aggregate remuneration paid to the above top key management personnel (excluding President/CEO) is S$1,756,953.

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 2018 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 whose remuneration exceeded $50,000 during the financial year ended 2018 was an immediate family member of a Director or the President/CEO.

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 30 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. 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.

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 had led the project development, marketing and property management functions. He joined the Company in 2007 as General Manager to head the projects and development division.

Chan Yien Mei

(General Manager, Marina Centre Holdings Private Limited)

Ms Chan Yien Mei graduated from the National University of Singapore with a Bachelor of Arts (Economics) and holds a Master of Business Administration, University of Birmingham.

Ms Chan has more than 15 years experience in retail malls covering retail planning, marketing, lease administration and operations. She joined Marina Square in 2009 as Assistant General Manager, Marketing and currently serves as General Manager of Marina Centre Holding Private Limited.

Prior to joining the company, she held various positions in retail mall developments, including project manager / development manager. Earlier in her career, she was also involved in business development for hospitality, family entertainment and lifestyle businesses.

CORPORATE GOVERNANCE REPORT

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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. The Company believes that prompt compliance with statutory reporting requirements is imperative to maintaining shareholders' confidence and trust in the Company.

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, ensures that the Group maintains a sound system of risk management and internal controls including proper accounting records and reliable financial information, to safeguard the interests of the company and shareholders.

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 make 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, clearly documenting, identifying and evaluating risks and risk mitigating measures, is completed by the respective business units/departments. The completed risk register is then reviewed and approved by the President/CEO.

The RMC meets quarterly to review and evaluate the risk register to ensure all material risks including strategic, financial, operational, compliance (legislation and regulatory), and information technology are properly identified and sufficient internal 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 on the Group's business, 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 recommendations to the Board for consideration.

For the financial year ended 2018, the Board received assurance from the President/CEO and Senior Financial Controller that the Group's financial records have been properly maintained and the financial statements give 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 are adequate and effective in addressing the material risks in its current business environment.

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Based on the risk management and internal control systems established and maintained by the Group, work performed by the internal and independent auditors, reviews by the RMC, and assurances received from the President/CEO , 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 as at 31 December 2018 to address risks which the Group considers relevant and material to operations.

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 risk management and internal controls can provide absolute assurance against the occurrence of material error, fraud, poor judgement in decision-making, human error, losses, or other irregularities, and other events arising from the business environment which the Group operates in.

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 the scope and results of the audit report and its cost effectiveness with the independent auditor;
- 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, effectiveness, independence, scope and results of the internal audit function;
- reviews the assistance given by the Group's officers to the independent and internal auditors;
- commissions investigations 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 Management, full discretion to invite any one or more of the Directors and/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 Head of Internal Audit 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 that are 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 categories 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

CORPORATE GOVERNANCE REPORT

For the Financial Year Ended 31 December 2018

but also for the long term financial soundness of the Group. For the year 2018, 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 this complex task. In conclusion, the independent auditor has concurred with Management's assessments. (Please refer to independent auditor's report on pages 57 and 58 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 these 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 under both key audit matters and other audit accounting matters, there are no material weaknesses 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 2018.

During the financial year 2018, the AC held six meetings. The announcements of the quarterly and full year results, the financial statements of the Group, and the Auditor's Report for the full year were reviewed by the AC before the same were recommended for consideration and approval of the Board. The AC has met once with the internal and independent auditors, without the presence of Management during the financial year.

For the financial year 2018, 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 re-appointment of the independent auditor.

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 independent auditor have been complied with. Please refer to Note 39 to the Financial Statements.

Internal Audit

The Group maintains accountability through an in-house internal audit function which performs internal audit activities across the Group's businesses. The internal audit team, including the Head of Internal Audit, reports directly to the AC and administratively to the President/CEO. The appointment, termination, and remuneration of the Head of Internal Audit 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 the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

The internal audit team has unfettered access to all the Group's documents, records, properties and personnel, including access to the AC.

The AC reviews and approves the annual internal audit plan, which is derived through a risk-based approach. The internal audit function also assists the Board and Management in advocating robust internal controls, good corporate governance, and effective risk management through reviews on the adequacy and effectiveness of the Group's risk management and internal control systems in relation to financial, operational, compliance and information technology risks. As part of its audit services, the internal audit team reviews the process of monitoring and reporting of interested party transactions and ensures that the necessary controls are in place and complied with.

CORPORATE GOVERNANCE REPORT

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The AC regularly reviews the adequacy and effectiveness of the internal audit function, and is of the view that the internal audit function is independent, effective and adequately resourced.

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 are 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 announcements 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 does not have a formal dividend policy. The Company strives to provide consistent and sustainable ordinary payments to its shareholders on an annual basis.

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 the Annual Report. The Annual Report is published on the Company's corporate website, www.uic.com.sg. All shareholders of the Company will receive the notice of AGM, proxy form and request form to request for hard copies of the Annual Report, if they so desire.

Conduct of Shareholders Meeting

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.

All shareholders are invited to participate and encouraged to vote in the Company's general meetings. General meetings have been and are still the principal forum for dialogue between Directors and 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.

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 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 for the same purpose. 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 conducts electronic poll voting for all resolutions proposed at the AGM. 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 AGM.

An independent scrutineer is engaged to review the electronic poll voting system and proxy verification process during the meetings to ensure that information is compiled adequately and procedures are carried out effectively. Voting results will also be announced after the 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. With effect from 2019, the minutes of these general meetings will be published on UIC's website at www.uic.com.sg.

CORPORATE GOVERNANCE REPORT

For the Financial Year Ended 31 December 2018

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).

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 2018 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 $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual) S$'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	0.4
	Receipt of interest income on shareholders' loans by Singland Homes Pte. Ltd. ("SL Homes") in UVDC	2.1
2.	UVD (Projects) Pte. Ltd. ("UVDP"), in relation to the development of The Tre Ver (former Raintree Gardens)	
	Receipt of marketing fee income by RMS from UVDP	0.5
	Contribution of shareholders' loans (including receipt of interest income) and equity by SL Homes in UVDP	29.4
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	0.6
4.	United Venture Development (Silat) Pte. Ltd. ("UVDS"), in relation to the acquisition and development of Avenue South Residence	
	Acquisition of a site at Silat Avenue by UVDS which was funded through a mix of bank borrowings, equity and shareholders' loans contributed by UIC Homes Pte. Ltd. to UVDS	310.6
	Contribution of shareholders' loans (including receipt of interest income) and equity by UIC Homes Pte. Ltd. in UVDS for the development of Avenue South Residence	25.3

CORPORATE GOVERNANCE REPORT

For the Financial Year Ended 31 December 2018

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	2.6
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	1.0
8.	Pan Pacific International Pte Ltd ("PPI")	
	Payment of license fee by HMC to PPI for provision of hotel management services	1.0

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.

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.

CORPORATE GOVERNANCE REPORT

For the Financial Year Ended 31 December 2018

(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 to build The Tre Ver, a residential development.

(g) UIC Homes Pte. Ltd. (a subsidiary of UIC), UOL Venture Investments Pte. Ltd. (a subsidiary of UOL Group Limited) and Kheng Leong Company (Private) Limited have established a joint venture company known as United Venture Development (Silat) Pte. Ltd. on a 30:50:20 basis to develop Avenue South Residence, a residential site (with commercial use on first floor) . The purchase price of the land was S$1.035 billion.

All the aforesaid transactions were conducted at arm's length 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 real estate developer, UIC continues to be committed to conducting its operations in a sustainable manner. The Company's Sustainability Steering Committee and Sustainability Working Committee ("SC"), comprising senior management personnel, meet quarterly to review the Company's sustainability performance and make recommendations. Monitoring the Group's sustainability efforts and reporting on sustainability practices are all part of the Group's strategic formulation.

In accordance with SGX's Sustainability Reporting Guide, UIC published its first Sustainability Report ("SR") in 2018. External assurance of UIC's next SR, to be published by May 2019, and future SRs to increase the robustness and accuracy of disclosed information is evidence of UIC's commitment to improve sustainability efforts and reporting. The Company's SRs will be available online on UIC's website at www.uic.com.sg.

Having regard to the Group's business environment, nature of its operations and projects, the SC has identified Environmental, Social and Governance performance of the Group to be of utmost importance to the Company's stakeholders.

ENVIRONMENT

Reduce, Reuse and Recycle

The Group supports Green initiatives, and has made the Ministry of Environment and Water Resources Sustainable Singapore Climate Action 2018 pledge. Additional initiatives include reminders to employees to conserve energy, scheduled implementation of LED luminaires in our corporate offices, provision of recycling bins in the office lobbies and shopping malls, and more.

The Group has commenced environmentally-friendly initiatives across its office buildings and shopping malls, and targets to obtain ISO14001 certification for West Mall in 2019 (currently BCA Green Mark Gold), BCA Green Mark certification for Marina Square in 2019 and BCA Green Mark certification for all its office buildings by 2030. The Group will also ensure that all its new developments and projects are BCA Green Mark certified.

SOCIAL

Employees

Recognising the value of its employees, UIC is committed to retain and nurture talent by encouraging a positive work-life balance and organising professional training, health and financial literacy talks and recreational activities for its employees. Further particulars can be found on Page 29 of the Annual Report.

Community

In March 2018, the Company organised a fundraising cycling event, "Bike for a Cause – Do Good, Go Ride". The aim of this event was to engage its employees through physical activities such as cycling, and to help raise funds for the Children's Charities Association for Singapore. Donations had been made to the Tan Tock Seng Hospital Charity Cycle 2018 in January 2018 and Care Corner Singapore in February 2018. The Company volunteered at Kwong Wai Shiu Hospital and Nursing Home in May 2018 and at a UOL Group Limited event for Care Corner Student Care Centre in September 2018. A blood donation drive was organised with the Singapore Red Cross at the Singapore Land Tower in September 2018. The Company also donated to the TODAY Enable Fund and EduGrow for Brighter Tomorrows in November 2018.

GOVERNANCE

Anti-corruption and Whistle-blowing

The Company has a zero-tolerance approach to bribery, corruption, unlawful conduct, malpractice or wrongdoing by staff in the course of their work. UIC's Anti-Bribery policy, setting out its guiding principles on bribery and corruption, and whistle-blowing, which encourages responsible and secure whistle-blowing, are circulated annually to all employees to ensure compliance.

Personal Data Protection

UIC's Personal Data Protection Policy is available on its website at www.uic.com.sg. To ensure compliance with the Singapore Personal Data Protection Act ("PDPA"), employees are briefed on the importance of the data confidentiality and the nine personal data protection obligations under the PDPA. Additional initiatives include the appointments of Data Protection Officers across all entities within the Group, and the upgrading of all the Company's document shredders to meet the P-4 Security level (DIN 66399) in September 2018.

FINANCIAL REPORT

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DIRECTORS' STATEMENT

For the financial year ended 31 December 2018

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 2018 and the statement of financial position of the Company as at 31 December 2018.

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 62 to 147 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 2018 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)
Lim Hock San	(President and Chief Executive Officer)
James L. Go	
Lance Yu Gokongwei	
Wee Ee Lim	
Gwee Lian Kheng	
Alvin Yeo Khirn Hai	
Hwang Soo Jin	
Antonio L. Go	
Yang Soo Suan	
Francis Lee Seng Wee	(appointed 12 March 2018)
Chng Hwee Hong	(appointed 23 March 2018)

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 2018

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 a director is deemed to have an interest	
	At 31.12.2018	**At 1.1.2018**	**At 31.12.2018**	**At 1.1.2018**
United Industrial Corporation Limited ("UIC")				
(No. of ordinary shares)				
Wee Cho Yaw	-	-	717,644,450	713,750,050
Lim Hock San	275,863	125,863	-	-
UOL Group Limited ("UOL")				
(No. of ordinary shares)				
Wee Cho Yaw	3,661,566	3,661,566	305,715,597	298,355,597
Lim Hock San	205,115	155,115	-	-
Wee Ee Lim	260,975	260,975	118,235,315	118,235,315
Gwee Lian Kheng	830,596	830,596	-	-
Alvin Yeo Khirn Hai	-	-	515	515
(Executive share options to subscribe for ordinary shares in UOL)				
Gwee Lian Kheng	620,000	720,000	-	-

(b) 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 31.12.2018	**At 1.1.2018**
Lim Hock San	920,000	970,000

(c) There was no change in any of the above-mentioned directors' interests between the end of the financial year and 21 January 2019.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2018

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 rules 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 2018 is 10,622,000.

Details of the options granted for financial years from 2007 up to 2017 have been set out in the Directors' Report/Statement for the respective financial years.

On 5 March 2018, the Company granted options to subscribe for 404,000 shares at an exercise price of $3.33 per ordinary share ("2018 Options").

The details of the 2018 Options granted are as follows:

	Number of employees	**At exercise price of $3.33 per share**
Executive Director, Lim Hock San	1	100,000
Key Executives	7	304,000
	8	404,000

DIRECTORS' STATEMENT

For the financial year ended 31 December 2018

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 31.12.2018	Aggregate granted since commencement of ESOS to 31.12.2018	Aggregate exercised since commencement of ESOS to 31.12.2018	Aggregate expired since commencement of ESOS to 31.12.2018	Aggregate outstanding as at 31.12.2018
100,000	1,470,000	250,000	300,000	920,000

(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 2018

SHARE OPTIONS (CONTINUED)

UIC SHARE OPTION SCHEME (continued)

(e) During the financial year, 374,000 shares of the Company were issued upon the exercise of options as follows:

By holders of	Number of shares	Exercise price per share
2008 Options	150,000	$2.91
2012 Options	25,000	$2.73
2013 Options	91,000	$2.91
2014 Options	54,000	$3.15
2016 Options	54,000	$2.92
	374,000	

(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 1.1.2018	Options granted in 2018	Options exercised	Options cancelled	Options outstanding at 31.12.2018	Exercise price per share	Date of expiry
10.3.2008	150,000	-	(150,000)	-	-	$2.91	9.3.2018
26.2.2010	100,000	-	-	-	100,000	$2.03	25.2.2020
1.3.2011	208,000	-	-	-	208,000	$2.78	28.2.2021
27.2.2012	209,000	-	(25,000)	-	184,000	$2.73	26.2.2022
22.2.2013	375,000	-	(91,000)	-	284,000	$2.91	21.2.2023
3.3.2014	386,000	-	(54,000)	-	332,000	$3.15	2.3.2024
26.2.2015	416,000	-	-	(60,000)	356,000	$3.54	25.2.2025
1.3.2016	480,000	-	(54,000)	(30,000)	396,000	$2.92	28.2.2026
27.2.2017	466,000	-	-	(60,000)	406,000	$2.91	26.2.2027
5.3.2018	-	404,000	-	(32,000)	372,000	$3.33	4.3.2028
	2,790,000	404,000	(374,000)	(182,000)	2,638,000		

DIRECTORS' STATEMENT

For the financial year ended 31 December 2018

AUDIT COMMITTEE

The members of the Audit Committee at the end of the financial year were as follows:

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 comprises four non-executive directors, majority of whom including the Chairman, are independent directors.

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 financial year ended on 31 December 2018 before their submission to the Board of Directors.

The Audit Committee has recommended to the Board of Directors that the independent auditor, PricewaterhouseCoopers LLP, be nominated for re-appointment 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

22 February 2019

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 Singapore Financial Reporting Standards International ("SFRS(I)s") 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 2018 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 financial year ended 31 December 2018;
- the consolidated statement of comprehensive income of the Group for the financial year then ended;
- the statements of financial position of the Group and of the Company as at 31 December 2018;
- the consolidated statement of changes in equity of the Group for the financial year then ended;
- the consolidated statement of cash flows of the Group for the financial 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 2018. 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**
<u>Valuation of investment properties</u> Refer to note 3(i) (Critical accounting estimates, assumptions and judgements) and note 18 (Investment properties) to the financial statements. As at 31 December 2018, the carrying value of the Group's investment properties stated at fair value based on independent external valuation of $6.2 billion, accounted for 74% 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 Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<u>Assessment of allowance for foreseeable losses for properties held for sale</u> Refer to note 3(iii) (Critical accounting estimates, assumptions and judgements) and note 21 (Properties held for sale) to the financial statements. As at 31 December 2018, the carrying value of the Group's properties held for sale of $268 million, accounted for 3% of the Group's total assets. This included an allowance for foreseeable losses on properties held for sale of $9.4 million as at 31 December 2018. The determination of carrying value and whether to recognise any allowance for foreseeable losses 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.	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 Report, Corporate Information, Directors' Statement and Five Year Summary (but does not include 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 SFRS(I)s, 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.

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.

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

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

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.

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.

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

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 Marcus Lam Hock Choon.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants in Singapore
Singapore, 22 February 2019

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2018

	Note	2018 $'000	2017 $'000
Revenue	4	**656,967**	1,292,169
Cost of sales	5	**(348,925)**	(850,824)
Gross profit		**308,042**	441,345
Interest income	6	**10,829**	4,438
Other gains		**3,179**	3,064
Other losses	7	**(478)**	(15,513)
Reversal of impairment losses in financial assets		**55**	8
Selling and distribution costs		**(25,216)**	(59,535)
Administrative expenses		**(29,778)**	(29,357)
Finance expenses	8	**(11,098)**	(11,679)
Profit before share of results of associated companies and joint ventures		**255,535**	332,771
Share of results of associated companies		**42,996**	32,104
Share of results of joint ventures		**34,582**	34,630
Fair value gain/(loss) on investment properties	18	**47,613**	(29,717)
Profit before income tax	7	**380,726**	369,788
Income tax expense	9	**(41,227)**	(49,071)
Net profit		**339,499**	320,717
Profit attributable to:			
Equity holders of the Company	10	**313,369**	297,315
Non-controlling interests		**26,130**	23,402
		339,499	320,717
Basic/Diluted earnings per share attributable to equity holders of the Company (expressed in cents per share)	11	**21.9 cents**	20.8 cents

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2018

	2018 $'000	2017 $'000
Net profit	**339,499**	320,717
Other comprehensive (expense)/income items that may be reclassified subsequently to income statement:		
Net currency translation differences of financial statements of foreign entities	**(8,412)**	(3,201)
Share of other comprehensive income of a joint venture	**94**	381
Cash flow hedges	**(276)**	-
	(8,594)	(2,820)
Total comprehensive income	**330,905**	317,897
Total comprehensive income attributable to:		
Equity holders of the Company	**305,447**	294,841
Non-controlling interests	**25,458**	23,056
	330,905	317,897

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

STATEMENTS OF FINANCIAL POSITION
As at 31 December 2018

	Note	The Group			The Company		
		31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
ASSETS							
Non-current assets							
Other receivables	12	**375,284**	187,054	109,745	**-**	-	-
Financial assets, available-for-sale	13	**-**	6,365	9,295	**-**	-	-
Financial assets at fair value through other comprehensive income	14	**3,384**	-	-	**-**	-	-
Investments in associated companies	15	**595,447**	568,993	548,278	**-**	-	-
Investments in joint ventures	16	**100,558**	67,629	77,749	**-**	-	-
Investments in subsidiary companies	17	**-**	-	-	**1,226,859**	1,227,768	1,228,307
Investment properties	18	**6,215,000**	6,160,900	6,175,900	**-**	-	-
Property, plant and equipment	19	**434,546**	453,559	469,861	**42**	279	332
		7,724,219	7,444,500	7,390,828	**1,226,901**	1,228,047	1,228,639
Current assets							
Cash and cash equivalents	20	**247,891**	177,381	86,508	**1,723**	1,152	866
Properties held for sale	21	**268,337**	336,537	1,069,731	**-**	-	-
Derivative financial instruments	22	**52**	-	-	**52**	-	-
Trade and other receivables	23	**177,931**	299,025	79,308	**1,803,609**	1,669,434	1,833,440
Inventories		**3,220**	3,730	2,266	**-**	-	-
		697,431	816,673	1,237,813	**1,805,384**	1,670,586	1,834,306
Total assets		**8,421,650**	8,261,173	8,628,641	**3,032,285**	2,898,633	3,062,945
LIABILITIES							
Current liabilities							
Trade and other payables	24	**167,738**	221,837	187,712	**635,582**	401,143	210,507
Current income tax liabilities	9	**52,467**	42,355	46,345	**-**	-	-
Borrowings	25	**142,280**	51,786	1,229,148	**118,304**	50,966	913,526
		362,485	315,978	1,463,205	**753,886**	452,109	1,124,033
Non-current liabilities							
Trade and other payables	24	**60,372**	54,832	56,781	**1,624**	1,624	1,624
Derivative financial instruments	22	**328**	-	-	**328**	-	-
Borrowings	25	**307,162**	479,130	12,480	**298,450**	467,650	-
Deferred income tax liabilities	26	**57,898**	64,597	54,943	**-**	-	-
		425,760	598,559	124,204	**300,402**	469,274	1,624
Total liabilities		**788,245**	914,537	1,587,409	**1,054,288**	921,383	1,125,657
NET ASSETS		**7,633,405**	7,346,636	7,041,232	**1,977,997**	1,977,250	1,937,288
EQUITY							
Capital and reserves attributable to equity holders of the Company							
Share capital	27	**1,565,380**	1,564,282	1,525,315	**1,565,380**	1,564,282	1,525,315
Reserves		**5,227,983**	4,965,258	4,712,794	**412,617**	412,968	411,973
		6,793,363	6,529,540	6,238,109	**1,977,997**	1,977,250	1,937,288
Non-controlling interests		**840,042**	817,096	803,123	**-**	-	-
TOTAL EQUITY		**7,633,405**	7,346,636	7,041,232	**1,977,997**	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 2018

	Attributable to equity holders of the Company						
	Share capital $'000	**Retained earnings $'000**	**Asset revaluation reserve $'000**	**Other reserves $'000**	**Total $'000**	**Non-controlling interests $'000**	**Total equity $'000**
2018							
Beginning of financial year	**1,564,282**	**4,920,923**	**40,441**	**3,894**	**6,529,540**	**817,096**	**7,346,636**
Net profit	-	313,369	-	-	313,369	26,130	339,499
Other comprehensive expense	-	-	-	(7,922)	(7,922)	(672)	(8,594)
Total comprehensive income/ (expense)	**-**	**313,369**	**-**	**(7,922)**	**305,447**	**25,458**	**330,905**
Employee share option scheme							
- value of employee services	-	-	-	252	252	-	252
- proceeds from shares issued	1,098	-	-	-	1,098	-	1,098
Dividends paid in cash	-	(42,974)	-	-	(42,974)	(2,512)	(45,486)
Total transactions with owners, recognised directly in equity	**1,098**	**(42,974)**	**-**	**252**	**(41,624)**	**(2,512)**	**(44,136)**
End of financial year	**1,565,380**	**5,191,318**	**40,441**	**(3,776)**	**6,793,363**	**840,042**	**7,633,405**
2017							
Beginning of financial year	**1,525,315**	**4,666,184**	**40,441**	**6,169**	**6,238,109**	**803,123**	**7,041,232**
Net profit	-	297,315	-	-	297,315	23,402	320,717
Other comprehensive expense	-	-	-	(2,474)	(2,474)	(346)	(2,820)
Total comprehensive income/ (expense)	**-**	**297,315**	**-**	**(2,474)**	**294,841**	**23,056**	**317,897**
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**	**4,920,923**	**40,441**	**3,894**	**6,529,540**	**817,096**	**7,346,636**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2018

	Note	2018 $'000	2017 $'000
Cash flows from operating activities			
Profit before income tax		**380,726**	369,788
Adjustments for:			
Depreciation of property, plant and equipment		**23,095**	22,594
Allowance/(Write-back of allowance) for foreseeable losses on properties held for sale		**5,677**	(29,300)
Reversal of impairment losses in financial assets		**(55)**	(8)
Employee share option expense		**252**	199
Loss on disposal of property, plant and equipment		**174**	374
Share of results of associated companies		**(42,996)**	(32,104)
Share of results of joint ventures		**(34,582)**	(34,630)
Fair value (gain)/loss on investment properties		**(47,613)**	29,717
Interest income		**(10,829)**	(4,438)
Dividend income		**(200)**	-
Interest expense		**11,098**	11,679
Unrealised currency translation differences		**(966)**	(172)
		283,781	333,699
Change in working capital:			
Properties held for sale		**146,224**	578,786
Inventories		**510**	(1,464)
Trade and other receivables		**35,445**	(31,292)
Trade and other payables		**(48,492)**	32,335
Cash generated from operations		**417,468**	912,064
Interest paid		**(10,565)**	(16,108)
Income tax paid		**(37,762)**	(43,361)
Net cash provided by operating activities		**369,141**	852,595

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2018

	Note	2018 $'000	2017 $'000
Cash flows from investing activities			
Purchase of property, plant and equipment		**(6,367)**	(7,753)
Proceeds from disposal of property, plant and equipment		**21**	9
Upgrading of investment properties		**(6,487)**	(10,842)
Redevelopment of an investment property		**-**	(2,815)
Final distribution to non-controlling shareholder upon liquidation of a subsidiary company		**-**	(235)
Loans to an associated company		**(152,342)**	-
Loans to joint ventures		**(26,366)**	(73,455)
Investment in an associated company		**(1,200)**	-
Investment in a joint venture		**-**	(2,000)
Dividends received from unquoted equity investments		**3,181**	2,930
Dividends received from associated companies		**12,820**	9,324
Dividends received from joint ventures		**-**	47,500
Interest received		**2,168**	733
Net cash used in investing activities		**(174,572)**	(36,604)
Cash flows from financing activities			
Repayment of borrowings		**(170,592)**	(1,180,261)
Proceeds from borrowings		**90,921**	470,000
Bank facility fees paid		**-**	(2,400)
Increase in bank deposits pledged as security		**(754)**	(871)
Proceeds from issuance of shares		**1,098**	1,583
Dividends paid to equity holders of the Company		**(42,974)**	(5,192)
Dividends paid to non-controlling interests		**(2,512)**	(8,848)
Net cash used in financing activities		**(124,813)**	(725,989)
Net increase in cash and cash equivalents		**69,756**	90,002
Cash and cash equivalents at beginning of financial year		**174,381**	84,379
Cash and cash equivalents at end of financial year	20	**244,137**	174,381

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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 (International) ("SFRS(I)") under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with SFRS(I) 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.

2.2 Adoption of SFRS(I)

As required by the listing requirements of the Singapore Exchange, the Group has adopted SFRS(I) on 1 January 2018. These financial statements for the year ended 31 December 2018 are the first set of financial statements the Group prepared in accordance with SFRS(I). The Group's previously issued financial statements for periods up to and including the financial year ended 31 December 2017 were prepared in accordance with Singapore Financial Reporting Standards ("SFRS").

In adopting SFRS(I) on 1 January 2018, the Group is required to apply all of the specific transition requirements in SFRS(I) 1 *First-time Adoption of SFRS(I)*.

Under SFRS(I) 1, these financial statements are required to be prepared using accounting policies that comply with SFRS(I) effective as at 31 December 2018. The same accounting policies are applied throughout all periods presented in these financial statements, subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Adoption of SFRS(I) (continued)

The Group's opening statement of financial position has been prepared as at 1 January 2017, which is the Group's date of transition to SFRS(I) ("date of transition").

(a) Optional exemptions applied

SFRS(I) 1 allows the exemption from application of certain requirements under SFRS(I) on a retrospective basis. The Group has applied the following exemptions in preparing this first set of financial statements in accordance with SFRS(I):

(i) Cumulative translation differences

The Group has elected to deem the cumulative translation differences for all foreign operations to be zero as at the date of transition to SFRS(I) on 1 January 2017.

(ii) Short-term exemption on adoption of SFRS(I) 9 *Financial Instruments*

The Group has elected to apply the short-term exemption to adopt SFRS(I) 9 on 1 January 2018. Accordingly, the requirements of SFRS 39 *Financial Instruments: Recognition and Measurement* are applied to financial instruments up to the financial year ended 31 December 2017. The Group is also exempted from complying with SFRS(I) 7 *Financial Instruments: Disclosure* to the extent that the disclosures required by SFRS(I) 7 relate to the items within scope of SFRS(I) 9.

As a result, the requirements under SFRS are applied in place of the requirements under SFRS(I) 7 and SFRS(I) 9 to comparative information about items within scope of SFRS(I) 9.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Adoption of SFRS(I) (continued)

(b) Reconciliation of the Group's equity reported in accordance with SFRS to SFRS(I)

As at 1 January 2017	Note	Reported under SFRS $'000	Effects of applying SFRS(I) 15 $'000	Reported under SFRS(I) $'000
ASSETS				
Non-current assets				
Other receivables		109,745	-	109,745
Financial assets, available-for-sale		9,295	-	9,295
Investments in associated companies	B	547,461	817	548,278
Investments in joint ventures		77,749	-	77,749
Investment properties		6,175,900	-	6,175,900
Property, plant and equipment		469,861	-	469,861
		7,390,011	817	7,390,828
Current assets				
Cash and cash equivalents		86,508	-	86,508
Properties held for sale		1,069,731	-	1,069,731
Trade and other receivables	B	73,287	6,021	79,308
Inventories		2,266	-	2,266
		1,231,792	6,021	1,237,813
Total assets		8,621,803	6,838	8,628,641
LIABILITIES				
Current liabilities				
Trade and other payables		187,712	-	187,712
Current income tax liabilities		46,345	-	46,345
Borrowings		1,229,148	-	1,229,148
		1,463,205	-	1,463,205
Non-current liabilities				
Trade and other payables		56,781	-	56,781
Borrowings		12,480	-	12,480
Deferred income tax liabilities	B	54,275	668	54,943
		123,536	668	124,204
Total liabilities		1,586,741	668	1,587,409
NET ASSETS		7,035,062	6,170	7,041,232
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital		1,525,315	-	1,525,315
Reserves	B	4,706,632	6,162	4,712,794
		6,231,947	6,162	6,238,109
Non-controlling interests	B	803,115	8	803,123
TOTAL EQUITY		7,035,062	6,170	7,041,232

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Adoption of SFRS(I) (continued)

(b) Reconciliation of the Group's equity reported in accordance with SFRS to SFRS(I) (continued)

	Note	As at 31 December 2017 reported under SFRS $'000	Effects of applying SFRS(I) 15 $'000	As at 31 December 2017 reported under SFRS(I) $'000	Effects of applying SFRS(I) 9 $'000	As at 1 January 2018 reported under SFRS(I) $'000
ASSETS						
Non-current assets						
Other receivables		187,054	-	187,054	-	187,054
Financial assets, available-for-sale	C	6,365	-	6,365	(6,365)	-
Financial assets at fair value through other comprehensive income	C	-	-	-	6,365	6,365
Investments in associated companies	B	568,024	969	568,993	-	568,993
Investments in joint ventures	B	66,576	1,053	67,629	-	67,629
Investment properties		6,160,900	-	6,160,900	-	6,160,900
Property, plant and equipment		453,559	-	453,559	-	453,559
		7,442,478	2,022	7,444,500	-	7,444,500
Current assets						
Cash and cash equivalents		177,381	-	177,381	-	177,381
Properties held for sale		336,537	-	336,537	-	336,537
Trade and other receivables		299,025	-	299,025	-	299,025
Inventories		3,730	-	3,730	-	3,730
		816,673	-	816,673	-	816,673
Total assets		8,259,151	2,022	8,261,173	-	8,261,173
LIABILITIES						
Current liabilities						
Trade and other payables		221,837	-	221,837	-	221,837
Current income tax liabilities		42,355	-	42,355	-	42,355
Borrowings		51,786	-	51,786	-	51,786
		315,978	-	315,978	-	315,978
Non-current liabilities						
Trade and other payables		54,832	-	54,832	-	54,832
Borrowings		479,130	-	479,130	-	479,130
Deferred income tax liabilities		64,597	-	64,597	-	64,597
		598,559	-	598,559	-	598,559
Total liabilities		914,537	-	914,537	-	914,537
NET ASSETS		7,344,614	2,022	7,346,636	-	7,346,636
EQUITY						
Capital and reserves attributable to equity holders of the Company						
Share capital		1,564,282	-	1,564,282	-	1,564,282
Reserves	B	4,963,242	2,016	4,965,258	-	4,965,258
		6,527,524	2,016	6,529,540	-	6,529,540
Non-controlling interests	B	817,090	6	817,096	-	817,096
TOTAL EQUITY		7,344,614	2,022	7,346,636	-	7,346,636

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Adoption of SFRS(I) (continued)

(c) Reconciliation of the Group's total comprehensive income reported in accordance with SFRS to SFRS(I)

For the financial year ended 31 December 2017	Note	Reported under SFRS $'000	Effects of applying SFRS(I) 15 $'000	Reported under SFRS(I) $'000
Revenue		1,292,169	-	1,292,169
Cost of sales		(850,824)	-	(850,824)
Gross profit		441,345	-	441,345
Interest income		4,438	-	4,438
Other gains		3,064	-	3,064
Other losses		(15,513)	-	(15,513)
Reversal of impairment losses in financial assets		8	-	8
Selling and distribution costs	B	(53,514)	(6,021)	(59,535)
Administrative expenses		(29,357)	-	(29,357)
Finance expenses		(11,679)	-	(11,679)
Profit before share of results of associated companies and joint ventures	B	338,792	(6,021)	332,771
Share of results of associated companies	B	31,952	152	32,104
Share of results of joint ventures	B	33,577	1,053	34,630
Fair value loss on investment properties		(29,717)	-	(29,717)
Profit before income tax		374,604	(4,816)	369,788
Income tax expense	B	(49,739)	668	(49,071)
Net profit		324,865	(4,148)	320,717
Profit attributable to:				
Equity holders of the Company		301,461	(4,146)	297,315
Non-controlling interests		23,404	(2)	23,402
		324,865	(4,148)	320,717
Net profit		324,865	(4,148)	320,717
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)	-	(3,201)
Share of other comprehensive income of a joint venture		381	-	381
		(2,820)	-	(2,820)
Total comprehensive income		322,045	(4,148)	317,897
Total comprehensive income attributable to:				
Equity holders of the Company		298,987	(4,146)	294,841
Non-controlling interests		23,058	(2)	23,056
		322,045	(4,148)	317,897

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Adoption of SFRS(I) (continued)

(d) There were no material adjustments to the Group's statement of cash flows arising from the transition from SFRS to SFRS(I).

Explanatory notes to reconciliations:

The effects of transition to SFRS(I) mainly arises from the optional exemptions provided for under SFRS(I) 1 and the adoption of SFRS(I) 9 *Financial Instruments* and SFRS(I) 15 *Revenue from Contracts with Customers*.

A. Optional exemptions

As disclosed in note 2.2(a), the Group has applied certain exemptions in preparing this first set of financial statements in accordance with SFRS(I). The exemptions resulted in adjustments to the previously issued SFRS financial statements on cumulative translation differences.

As disclosed in note 2.2(a)(i), the Group has elected to deem the cumulative translation differences for all foreign operations to be zero at the date of transition to SFRS(I) on 1 January 2017. As a result, other reserves and retained earnings as at 1 January 2017 was reduced/increased by $11,122,000 respectively.

B. Adoption of SFRS(I) 15

In accordance with the requirements of SFRS(I) 1, the Group has adopted the SFRS(I) 15 retrospectively.

The adoption of SFRS(I) 15 resulted in adjustments to the previously issued SFRS financial statements on the accounting for costs to fulfil a contract.

Under SFRS(I) 15, as these costs relate directly to the Group's contracts with customers and are expected to be recovered, they are capitalised as costs to fulfil a contract and included within current assets when incurred and subsequently expensed to income statement in accordance with revenue recognition.

C. Adoption of SFRS(I) 9

As disclosed in note 2.2(a)(ii), the Group has elected to apply the short-term exemption to adopt SFRS(I) 9 on 1 January 2018. Accordingly, the requirements of SFRS 39 *Financial Instruments: Recognition and Measurement* are applied to financial instruments up to the financial year ended 31 December 2017.

At the same time, the Group is exempted from complying with SFRS(I) 7 *Financial Instruments: Disclosures* for the comparative period to the extent that the disclosures required by the SFRS(I) 7 relate to the items within scope of SFRS(I) 9.

As a result, the requirements under SFRS are applied in place of the requirements under SFRS(I) 7 and SFRS(I) 9 to comparative information about items within the scope of the SFRS(I) 9.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Adoption of SFRS(I) (continued)

C. Adoption of SFRS(I) 9 (continued)

The accounting policies for financial instruments under SFRS(I) 9 are as disclosed in note 2.12.

(i) Classification and measurement of financial assets

For financial assets held by the Group on 1 January 2018, the Group has assessed the business models that are applicable on that date to financial assets so as to classify them into the appropriate categories under SFRS(I) 9.

The Group has elected to recognise changes in the fair value of all its equity investments not held for trading and previously classified as available-for-sale, in other comprehensive income. As a result, assets with a fair value of $6,365,000 were reclassified from "financial assets, available-for-sale" to "financial assets at fair value through other comprehensive income" on 1 January 2018.

(ii) Impairment of financial assets

The Group has the following financial assets subject to the expected credit loss impairment model under SFRS(I) 9:

- Trade receivables and contract assets recognised under SFRS(I) 15;
- Loans to related parties and other receivables at amortised cost.

The impairment methodology under SFRS and SFRS(I) for each of these classes of financial assets is different. The impairment methodology for each of these classes of financial assets under SFRS(I) 9 is as disclosed in note 2.12 and note 33(b).

(e) Reconciliation of the Company's equity reported in accordance with SFRS to SFRS(I)

The Company's opening balance sheet was prepared as at 1 January 2017, which was the Company's date of transition to SFRS(I). There were no material impact to the Company's balances on adoption of SFRS(I), except for the effects arising from the application of SFRS(I) 9, as follows:

Impairment of financial assets

The Company has the following type of financial assets subject to the expected credit loss impairment model under SFRS(I) 9:

- Loans to related parties and other receivables at amortised cost.

The impairment methodology under SFRS and SFRS(I) for each of these classes of financial assets is different. The impairment methodology for each of these classes of financial assets under SFRS(I) 9 is as disclosed in note 2.12 and note 33(b). There was no material impact on the financial statements from the application of the expected credit loss model on the above financial assets.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Revenue

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The group recognises revenue when it transfers control of a product or service to a customer.

(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 is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer at a point in time or over time.

For sales of uncompleted residential properties made with a progressive payment scheme in Singapore, the transfer of control 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. The properties have no alternative use for the Group due to contractual restriction, and the Group has enforceable rights to payment arising from the contractual terms.

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 and when customers obtains control of the asset.

For development projects under deferred payment scheme in Singapore, the revenue will be recognised upon transfer of title to the purchasers. No revenue is recognised when there is significant uncertainty as to the collectability of consideration due or the possible return of units sold.

For costs incurred in fulfilling the contract which are within the scope of another SFRS(I) (e.g. Inventories), these have been accounted for in accordance with those other SFRS(I). If these are not within the scope of another SFRS(I), the Group will capitalise these as contract costs assets only if the costs relate directly to the contract, generate or enhance resources used in satisfying the contract and are expected to be recovered. Other contract costs are expensed as incurred.

Capitalised contract costs are subsequently amortised on a systematic basis as the Group recognises the related revenue. An impairment loss is recognised in profit or loss to the extent that the carrying amount of the capitalised contract costs exceeds the remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the contract costs relates less the costs that relate directly to providing the goods and that have not been recognised as expenses.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Revenue

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

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in the profit or loss in the period in which the circumstances that give rise to the revision become known by management.

(c) *Revenue from hotel operations and related facilities*

Revenue from letting out of the hotel rooms and other facilities is recognised in the period which the services are rendered (i.e. over time). Revenue from the sale of food and beverage is recognised when the goods are delivered to the customer (i.e. at a point in time). Revenue from other hotel related services and service charges are recognised in the period when the services are rendered (i.e. over time).

(d) *Revenue from technology operations*

Revenue from sale of computer hardware and software is recognised when the promised goods are delivered to the customer (i.e. at a point in time).

Revenue from the rendering of information technology services is recognised based on the timing of satisfaction of a performance obligation in the period which the services are rendered.

Revenue from computer hardware maintenance service and warranty is recognised on a straight-line basis over the period of the maintenance contract or warranty.

(e) *Others - property services fees*

Property services fees are recognised over time 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, it is probable that that the economic benefits associated with the dividend will flow to the Group, and the amount of the dividend can be reliably measured.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 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, transactions, 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Group accounting (continued)

(a) *Subsidiary companies (continued)*

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Group accounting (continued)

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

(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 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.

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 measured 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.

2.5 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 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 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:

	Useful lives
Leasehold land and building	45 - 93 years
Plant and machinery	10 - 15 years
Furniture, fittings and office equipment	3 - 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.

2.6 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 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 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.

2.8 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.

2.9 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 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.

2.11 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Impairment of non-financial assets (continued)

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

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.

2.12 Financial assets

The accounting for financial assets from 1 January 2018 are as follows:

(a) *Classification and measurement*

The Group classifies its financial assets in the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI); and
- Fair value through profit or loss (FVPL).

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

At initial recognition

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in income statement.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets (continued)

(a) *Classification and measurement (continued)*

At subsequent measurement

(i) Debt instruments

Debt instruments mainly comprise of cash and cash equivalents, trade and other receivables.

There are three subsequent measurement categories, depending on the Group's business model for managing the asset and the cash flow characteristics of the asset:

- Amortised cost: Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in income statement when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.

- FVOCI: Debt instruments that are held for collection of contractual cash flows and for sale, and where the assets' cash flows represent solely payments of principal and interest, are classified as FVOCI. Movements in fair values are recognised in Other Comprehensive Income (OCI) and accumulated in fair value reserve, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in income statement. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to income statement. Interest income from these financial assets is recognised using the effective interest rate method and presented in income statement.

- FVPL: Debt instruments that are held for trading as well as those that do not meet the criteria for classification as amortised cost or FVOCI are classified as FVPL. Movement in fair values and interest income is recognised in income statement in the period in which it arises.

(ii) Equity investments

The Group subsequently measures all its equity investments at their fair values. Equity investments are classified as FVPL with movements in their fair values recognised in income statement in the period in which the changes arise and presented in "other gains and losses", except for those equity securities which are not held for trading. The Group has elected to recognise changes in fair value of equity securities not held for trading in other comprehensive income as these are strategic investments and the Group considers this to be more relevant. Movements in fair values of investments classified as FVOCI are presented in Other Comprehensive Income. Dividends from equity investments are recognised in income statement.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets (continued)

(b) *Impairment*

The Group assesses on a forward looking basis the expected credit losses associated with its debt financial assets carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 33 details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables and contract assets, the Group applies the simplified approach permitted by the SFRS(I) 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(c) *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 debt instrument, 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.

On disposal of an equity investment, the difference between the carrying amount and sales proceed is recognised in income statement if there was no election made to recognise fair value changes in other comprehensive income. If there was an election made, any difference between the carrying amount and sales proceed amount would be recognised in other comprehensive income and transferred to retained profits along with the amount previously recognised in other comprehensive income relating to that asset.

The accounting for financial assets before 1 January 2018 are as follows:

(d) *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. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets (continued)

(d) *Classification (continued)*

(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) Financial assets, available-for-sale

Financial assets, available-for-sale 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 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets (continued)

(e) *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.

(f) *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.

(g) *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. 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.

(h) *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.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets (continued)

(h) *Impairment (continued)*

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

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) Financial asset, available-for-sale

In addition to the objective evidence of impairment described in note 2.12(h)(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.

2.13 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Derivative financial instruments and hedging activities (continued)

The fair value of various derivative financial instruments used for hedging purposes are disclosed in note 22. 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.

Cash flow hedge - Interest rate swaps

The Group has entered into interest rate swaps that are cash flow hedges for the Group's exposure to interest rate risk on its borrowings. These contracts entitle the Group to receive interest at floating rates on notional principal amounts and oblige the Group to pay interest at fixed rates on the same notional principal amounts.

The fair value changes on the effective portion of interest rate swaps designated as cash flow hedges are recognised in other comprehensive income, accumulated in the hedging reserve and reclassified to income statement when the hedged interest expense on the borrowings is recognised in income statement. The fair value changes on the ineffective portion of interest rate swaps are recognised immediately in income statement.

Net investment hedge

The Group has foreign currency borrowings that qualify as net investment hedges of foreign operations. These hedging instruments are accounted for similarly to cash flow hedges. 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.

2.14 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.

2.15 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 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.

2.17 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Income taxes (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Employee compensation (continued)

(b) *Share-based compensation (continued)*

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.

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. Monetary items include primarily financial assets (other than equity investments) and financial liabilities. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Currency translation (continued)

(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 reporting 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

(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 with loss of control of the foreign operation.

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 reporting 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 2018

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 2.9). The carrying amount of investment properties is disclosed in note 18;

(ii) the estimation of the total development costs which affects total cost of sales recognised;

(iii) the assessment of impairment of properties held for sale (note 2.8). The carrying amount of properties held for sale under development is disclosed in note 21; 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 9 and 26 respectively.

4. REVENUE

The Groups derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines.

	The Group	
	2018	**2017**
	$'000	**$'000**
Revenue from contracts with customers		
Revenue from property trading		
- recognised at a point in time	**87,017**	247,183
- recognised over time	**-**	513,116
Revenue from hotel operations		
- recognised at a point in time	**56,629**	53,510
- recognised over time	**98,705**	95,604
Revenue from technology operations		
- recognised at a point in time	**121,626**	95,664
- recognised over time	**3,858**	3,559
Others		
- recognised at a point in time	**200**	-
- recognised over time	**1,561**	2,230
	369,596	1,010,866
Other revenue		
Revenue from property investments	**287,371**	281,303
Total revenue	**656,967**	1,292,169

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

5. COST OF SALES

	The Group	
	2018	**2017**
	$'000	**$'000**
Cost of sales from property investments	**79,004**	74,143
Cost of sales from property trading	**46,819**	580,701
Cost of sales from hotel operations	**107,952**	105,274
Cost of sales from technology operations	**114,826**	90,363
Others	**324**	343
	348,925	850,824

6. INTEREST INCOME

	The Group	
	2018	**2017**
	$'000	**$'000**
Interest income from:		
- Bank deposits	**2,274**	810
- Amount due from an associated company	**2,382**	-
- Amounts due from joint ventures	**5,860**	3,448
- Others	**313**	180
	10,829	4,438

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

7. PROFIT BEFORE INCOME TAX

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

	The Group	
	2018	**2017**
	$'000	**$'000**
Charging/(Crediting):		
Auditors' remuneration paid/payable to:		
- Auditor of the Company	**671**	690
- Other auditors*	**95**	96
Other fees paid/payable to auditor of the Company	**136**	142
Wages, salaries and other payroll-related costs	**64,074**	62,344
Employer's contribution to defined contribution plans	**7,210**	7,267
Share option expense	**252**	199
Total employee compensation	**71,536**	69,810
Rental expense on operating leases	**872**	879
Loss on disposal of property, plant and equipment	**174**	374
Allowance/(Write-back of allowance) for foreseeable losses on properties held for sale	**5,677**	(29,300)
Additional Buyer's Stamp Duty costs#	**-**	14,841
Depreciation of property, plant and equipment	**23,095**	22,594
Currency exchange loss - net	**195**	70
Property tax	**29,141**	28,026
Utilities	**14,662**	14,195
Cost of inventories recognised as an expense	**124,706**	100,507

\# Included in other losses.

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

8. FINANCE EXPENSES

	The Group	
	2018	**2017**
	$'000	**$'000**
Interest expense from bank borrowings	**11,091**	11,679
Cash flow hedges, reclassified from hedging reserve (note 31(c))	**7**	-
	11,098	11,679

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

9. INCOME TAXES

(a) Income tax expense

	The Group	
	2018 $'000	2017 $'000
Tax expense/(credit) attributable to profit is made up of:		
- Profit for the financial year:		
Current income tax (note (b))	**51,490**	41,410
Deferred income tax (note 26)	**(4,586)**	9,405
	46,904	50,815
- (Over)/Underprovision in prior financial years:		
Current income tax (note (b))	**(3,596)**	(2,030)
Deferred income tax (note 26)	**(2,081)**	286
	(5,677)	(1,744)
	41,227	49,071

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	
	2018 $'000	2017 $'000
Profit before income tax	**380,726**	369,788
Less:		
Share of results of associated companies	**(42,996)**	(32,104)
Share of results of joint ventures	**(34,582)**	(34,630)
	303,148	303,054
Tax calculated at tax rate of 17%	**51,535**	51,519
Effects of:		
- Different tax rates in other countries	**(614)**	(385)
- Singapore statutory tax exemption	**(469)**	(374)
- Tax incentives	**(175)**	(574)
- Expenses not deductible for tax purposes	**6,953**	10,138
- Income not subject to tax	**(10,146)**	(5,675)
- Utilisation of previously unrecognised deferred income tax assets	**(1,244)**	(6,733)
- Deferred income tax assets not recognised	**1,064**	2,899
- Overprovision of tax in prior financial years	**(5,677)**	(1,744)
Tax charge	**41,227**	49,071

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2018

9. INCOME TAXES (CONTINUED)

(b) Movements in current income tax liabilities

	The Group	
	2018	**2017**
	$'000	**$'000**
Beginning of financial year	**42,355**	46,345
Currency translation differences	**(20)**	(9)
Income tax paid	**(37,762)**	(43,361)
Tax expense (note (a))	**51,490**	41,410
Overprovision in prior financial years (note (a))	**(3,596)**	(2,030)
End of financial year	**52,467**	42,355

10. NET ATTRIBUTABLE PROFIT

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

	The Group	
	2018	**2017**
	$'000	**$'000**
Net profit before fair value gain/(loss) on investment properties (note 11)	**250,621**	301,830
Fair value gain/(loss) on investment properties held by subsidiary companies, associated company and joint venture, net of non-controlling interests included in:		
- Fair value gain/(loss) on investment properties	**47,613**	(29,717)
- Share of results of associated companies	**2,460**	3,540
- Share of results of joint ventures	**2,564**	11,045
- Non-controlling interests	**10,111**	10,617
	62,748	(4,515)
Net attributable profit	**313,369**	297,315

11. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

11. EARNINGS PER SHARE (CONTINUED)

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	
	2018	**2017**
Net profit attributable to equity holders of the Company ($'000)	**313,369**	297,315
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	**1,432,474**	1,426,651
Adjustment for share options ('000)	**125**	206
Weighted average number of ordinary shares outstanding for diluted earnings per share ('000)	**1,432,599**	1,426,857
Basic and diluted earnings per share (cents per share)		
- excluding fair value gain/(loss) on investment properties held by subsidiary companies, associated company and joint venture (note 10)	**17.5 cents**	21.2 cents
- including fair value gain/(loss) on investment properties held by subsidiary companies, associated company and joint venture	**21.9 cents**	20.8 cents

12. OTHER RECEIVABLES

	The Group		
	31 December		1 January
	2018	**2017**	**2017**
	$'000	**$'000**	**$'000**
Amounts due from joint ventures	**218,134**	187,054	109,745
Amount due from an associated company	**154,724**	-	-
Prepayments	**1,649**	-	-
Others	**777**	-	-
	375,284	187,054	109,745

Amounts due from joint ventures and an associated company 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 of other receivables approximate their fair values.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

13. FINANCIAL ASSETS, AVAILABLE-FOR-SALE

This relates to unquoted equity investments which have been reclassified to financial assets at fair value through other comprehensive income as at 1 January 2018 on adoption of SFRS(I) 9 (note 2.2).

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	The Group		
	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
Unquoted equity investments (note 2.2)	**3,384**	-	-

Financial assets at fair value through other comprehensive income where the fair value is calculated using significant unobservable inputs are classified under Level 3 of the fair value hierarchy.

15. INVESTMENTS IN ASSOCIATED COMPANIES

	The Group		
	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
Unquoted equity investments, at cost	**302,327**	301,127	301,127
Share of post-acquisition reserves	**293,120**	267,866	247,151
	595,447	568,993	548,278

Set out below are the associated companies of the Group that are material to the Group in 2018.

Name of entity	Proportion of ownership held by subsidiary companies %
Novena Square Investments Ltd	**20**
Aquamarina Hotel Private Limited	**50**

In prior year, the contribution from investments in associated companies was immaterial.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

15. INVESTMENTS IN ASSOCIATED COMPANIES (CONTINUED)

Summarised financial information for associated companies

The summarised financial information of the associated companies based on the amounts in the financial statements of the associated companies (and not the Group's share of those amounts) and reconciliation to the carrying amount of the investment in the consolidated financial statements are as follows:

	Novena Square Investments Ltd $'000	Aquamarina Hotel Private Limited $'000
Current assets	2,342	89,300
Includes:		
- Cash and cash equivalents	746	86,034
Current liabilities	(14,266)	(22,109)
Non-current assets	1,062,660	143,878
Non-current liabilities	(18,152)	(3,099)
Net assets	1,032,584	207,970
Proportion of ownership held by subsidiary companies (%)	20	50
Carrying amount of the investment	206,517	103,985
Revenue	51,640	90,001
Interest income	133	915
Expenses		
Includes:		
- Depreciation	(127)	(6,289)
- Interest expense	(12)	-
Profit before income tax	51,151	28,758
Income tax expense	(7,018)	(5,283)
Net profit and total comprehensive income	44,133	23,475
Dividends received	1,500	5,662

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

15. INVESTMENTS IN ASSOCIATED COMPANIES (CONTINUED)

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

	The Group	
	2018	**2017**
	$'000	**$'000**
Net profit and total comprehensive income	**22,431**	32,104

	The Group		
	31 December		**1 January**
	2018	**2017**	**2017**
	$'000	**$'000**	**$'000**
Carrying amount	**284,945**	568,993	548,278

The Company has provided several undertakings on cost overrun, interest shortfall, security margin and project completion in respect of a term loan drawn down by an associated company. As at 31 December 2018, the total outstanding term loans drawn down by the associated company is $630,000,000 (2017: $Nil).

Details of associated companies are included in note 39.

16. INVESTMENTS IN JOINT VENTURES

	The Group		
	31 December		**1 January**
	2018	**2017**	**2017**
	$'000	**$'000**	**$'000**
Unquoted equity investments, at cost	**26,312**	26,312	24,312
Share of post-acquisition reserves	**74,246**	41,317	53,437
	100,558	67,629	77,749

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

16. INVESTMENTS IN JOINT VENTURES (CONTINUED)

Set out below is a joint venture of the Group that is material to the Group in 2018.

Name of entity	Proportion of ownership held by a subsidiary company %
United Venture Development (Clementi) Pte. Ltd.	50

In prior year, the contribution from investments in joint ventures was immaterial.

Summarised financial information for the joint venture

The summarised financial information of the joint venture based on the amounts in the financial statements of the joint venture (and not the Group's share of those amounts) and reconciliation to the carrying amount of the investment in the consolidated financial statements is as follows:

	$'000
Current assets	305,059
Includes:	
- Cash and cash equivalents	24,749
Current liabilities	(40,022)
Non-current liabilities	(175,483)
Net assets	89,554
Proportion of ownership held by a subsidiary company (%)	50
Carrying amount of the investment	44,777
Revenue	331,775
Interest income	718
Profit before income tax	65,352
Income tax expense	(11,115)
Net profit and total comprehensive income	54,237

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

16. INVESTMENTS IN JOINT VENTURES (CONTINUED)

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

	The Group	
	2018	2017
	$'000	$'000
Net profit	**7,463**	34,630
Other comprehensive income	**94**	381
Total comprehensive income	**7,557**	35,011

	The Group		
	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
Carrying amount	**55,781**	67,629	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 2018, the total outstanding term loans drawn down by the joint ventures are $329,000,000 (2017: $454,800,000).

The Company has given a corporate guarantee of $142,284,000 (2017: $157,137,000) in respect of a banking facility granted to a joint venture.

Details of joint ventures are included in note 39.

17. INVESTMENTS IN SUBSIDIARY COMPANIES

	The Company		
	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
Unquoted equity investments, at cost	**1,228,862**	1,229,862	1,230,212
Less: Allowance for impairment in value of investments	**(2,003)**	(2,094)	(1,905)
	1,226,859	1,227,768	1,228,307

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

17. INVESTMENTS IN SUBSIDIARY COMPANIES (CONTINUED)

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		
	31 December		1 January	31 December		1 January
	2018 %	2017 %	2017 %	2018 $'000	2017 $'000	2017 $'000
Marina Centre Holdings Private Limited and its subsidiary companies	**47**	47	47	**797,083**	773,054	758,137

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.

	31 December		1 January
	2018 $'000	2017 $'000	2017 $'000
Current			
Assets	**176,594**	101,861	52,636
Liabilities	**(52,043)**	(46,222)	(50,800)
Non-current			
Assets	**1,620,554**	1,638,494	1,658,186
Liabilities	**(52,777)**	(52,769)	(50,331)
Net assets	**1,692,328**	1,641,364	1,609,691
Revenue	**198,203**	193,720	188,435
Net profit/(loss) and total comprehensive income/(expense)	**55,464**	49,673	(13,533)
Total comprehensive income/(expense) allocated to non-controlling interests	**26,122**	23,395	(6,374)
Dividends paid to non-controlling interests	**2,112**	8,448	8,448
Net cash provided by operating activities	**75,815**	67,717	53,146
Net cash provided by/(used in) investing activities	**2,837**	(2,034)	(3,639)
Net cash used in financing activities	**(4,500)**	(20,006)	(40,348)

Details of subsidiary companies are included in note 39.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

18. INVESTMENT PROPERTIES

	The Group	
	2018	**2017**
	$'000	**$'000**
Completed leasehold properties, at valuation:		
Beginning of financial year	**6,160,900**	5,528,900
Reclassified from investment properties under development	**-**	650,875
Additions	**6,487**	10,842
Fair value gain/(loss)	**47,613**	(29,717)
End of financial year	**6,215,000**	6,160,900
Investment properties under development at valuation:		
Beginning of financial year	**-**	647,000
Reclassified to completed leasehold properties	**-**	(650,875)
Additions	**-**	3,875
End of financial year	**-**	-
	6,215,000	6,160,900

In 2017, borrowing costs of $1,060,000 for the redevelopment of an investment property were capitalised. Interest rate ranging 1.4% to 1.5% per annum was used, representing the borrowing costs of the loans used to finance the project.

The following amounts are recognised in the income statements:

	The Group	
	2018	**2017**
	$'000	**$'000**
Rental income	**276,142**	270,803
Direct operating expenses arising from investment properties that generated rental income	**78,923**	74,084

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2018

18. INVESTMENT PROPERTIES (CONTINUED)

As at statement of financial position date, the details of 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	75 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	76 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	807 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	807 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	63 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	76 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	77 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	77 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	92 years
Marina Square Retail Mall 6 Raffles Boulevard Singapore 039594	4-storey retail mall with a retail underpass.	99-year lease from 1980	61 years

Investment properties are leased to non-related parties under operating leases (note 32(c)).

NOTES TO THE FINANCIAL STATEMENTS

18. 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 2018 ($'000)	Valuation techniques	Significant unobservable inputs	Range of significant unobservable inputs	Relationship of significant unobservable inputs to fair value
Completed leasehold properties	6,215,000 (31 December 2017: 6,160,900; 1 January 2017: 5,528,900)	Capitalisation Approach	Estimated rental rate (per square feet per month)	$5 - $13 (31 December 2017: $5 - $13; 1 January 2017: $5 - $13)	The higher the rental value per square feet, the higher the fair value.
			Capitalisation rate	3.25% - 4.90% (31 December 2017: 3.25% - 4.90%; 1 January 2017: 3.25% - 5.25%)	The higher the capitalisation rate, the lower the fair value.
		Direct Comparison Approach	Adjusted valuation (per square feet)	$1,400 - $2,700 (31 December 2017: $1,400 - $2,600; 1 January 2017: $1,300 - $2,500)	The higher the adjusted valuation per square feet, the higher the fair value.
Investment property under development	Nil (31 December 2017: Nil; 1 January 2017: 647,000)	Direct Comparison Approach	Gross development value (per square feet)	$Nil (31 December 2017: $Nil; 1 January 2017: $2,300)	The higher the gross development value, the higher the fair value.
			Estimated costs to completion	$Nil (31 December 2017: $Nil; 1 January 2017: $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

18. 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 2018

19. 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						
2018						
Cost						
Beginning of financial year	394,838	56,314	187,818	1,340	482	640,792
Currency translation differences	(1,207)	(1,050)	(1,758)	(15)	-	(4,030)
Additions	-	670	4,123	3	1,571	6,367
Transfer in/(out)	-	261	1,425	-	(1,686)	-
Disposals	-	-	(1,501)	(162)	-	(1,663)
End of financial year	393,631	56,195	190,107	1,166	367	641,466
Accumulated depreciation						
Beginning of financial year	62,476	24,865	98,787	1,105	-	187,233
Currency translation differences	(228)	(509)	(1,189)	(14)	-	(1,940)
Depreciation charge	6,122	3,291	13,603	79	-	23,095
Disposals	-	-	(1,314)	(154)	-	(1,468)
End of financial year	68,370	27,647	109,887	1,016	-	206,920
Net book value						
End of financial year	**325,261**	**28,548**	**80,220**	**150**	**367**	**434,546**
2017						
Cost						
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
Accumulated depreciation						
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**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

19. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Furniture, fittings and office equipment $'000	Motor vehicle $'000	Total $'000
The Company			
2018			
Cost			
Beginning of financial year	775	237	1,012
Additions	37	-	37
Disposals	(99)	-	(99)
End of financial year	713	237	950
Accumulated depreciation			
Beginning of financial year	496	237	733
Depreciation charge	273	-	273
Disposals	(98)	-	(98)
End of financial year	671	237	908
Net book value			
End of financial year	**42**	**-**	**42**
2017			
Cost			
Beginning of financial year	760	237	997
Additions	15	-	15
End of financial year	775	237	1,012
Accumulated depreciation			
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**

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2018

20. CASH AND CASH EQUIVALENTS

	The Group			The Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	$'000	$'000	$'000	$'000	$'000	$'000
Cash at bank and on hand	**59,173**	57,226	45,968	**1,723**	1,152	866
Short-term bank deposits	**188,718**	120,155	40,540	**-**	-	-
	247,891	177,381	86,508	**1,723**	1,152	866

Included in cash and cash equivalents of the Group, are amounts of $24,131,000 (31 December 2017: $38,374,000; 1 January 2017: $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 of the Group are amounts of $5,674,000 (31 December 2017: $3,967,000; 1 January 2017: $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.

For the purposes of presenting the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	The Group		
	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
Cash and cash equivalents (as above)	**247,891**	177,381	86,508
Less: Bank deposits pledged	**(3,754)**	(3,000)	(2,129)
Cash and cash equivalents per consolidated statement of cash flows	**244,137**	174,381	84,379

Bank deposits are pledged in relation to a facility.

Significant restrictions

Cash and cash equivalents of the Group included amounts of $31,727,000 (31 December 2017: $26,958,000; 1 January 2017: $17,225,000) which 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

21. PROPERTIES HELD FOR SALE

	The Group		
	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
Properties under development	**-**	-	802,887
Completed properties	**277,714**	340,237	299,844
Allowance for foreseeable losses	**(9,377)**	(3,700)	(33,000)
	268,337	336,537	1,069,731

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

	The Group
	1 January
	2017
	$'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.

In 2017, borrowing costs of $4,352,000 (1 January 2017: $10,768,000) were capitalised during the financial year. Interest rate ranging 1.1% to 1.9% per annum was used, 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

21. PROPERTIES HELD FOR SALE (CONTINUED)

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

	The Group	
	2018	**2017**
	$'000	**$'000**
Beginning of financial year	**3,700**	33,000
Allowance during the year	**6,752**	-
Allowance written-back during the year	**(1,075)**	(29,300)
End of financial year	**9,377**	3,700

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

Property	**Title**	**Site area/Gross floor area (sqm)**	**Group's effective interest %**
The Excellency (Chengdu)	Leasehold	7,566/77,000	99.7
Mon Jervois	Leasehold	8,958/13,796	99.7
Pollen & Bleu	Leasehold	6,268/11,033	99.7
V on Shenton	Leasehold	*/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.

22. DERIVATIVE FINANCIAL INSTRUMENTS

	The Group and the Company	
	Contract notional amount	**Fair value asset/ (liability)**
	$'000	**$'000**
31 December 2018		
Current assets		
Derivatives held for hedging:		
Cash-flow hedges - interest rate swaps	100,000	52
Non-Current Liabilities		
Derivatives held for hedging:		
Cash-flow hedges - interest rate swaps	50,100	(328)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

22. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Hedging instruments used in the Group's hedging strategy in 2018:

	Carrying amount		Changes in fair value used in calculating hedge ineffectiveness				
	Assets/ (Liabilities) $'000	**Financial statement line item**	**Hedging instrument $'000**	**Hedged item $'000**	**Hedge ineffectiveness recognised in income statement $'000**	**Weighted average hedged rate**	**Maturity date**
<u>The Group and the Company</u>							
Cash flow hedge							
Interest rate risk							
- Interest rate swap to hedge floating rate borrowings	(276)	Derivative financial instruments	(276)	276	-	1.53%	2019 - 2020
Net investment hedge							
Foreign exchange risk							
- Borrowings to hedge net investments in foreign operations	(20,784)	Borrowings	839	(839)	-	GBP1: $1.80	2019

All costs of hedging are recognised in income statement within "finance expenses".

The interest rate swaps are classified under Level 2 of the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

23. TRADE AND OTHER RECEIVABLES

	The Group			The Company		
	31 December		1 January	31 December		1 January
	2018	**2017**	**2017**	**2018**	**2017**	**2017**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Trade receivables	**38,967**	75,905	41,230	**-**	-	-
Less: Loss allowance	**(528)**	(633)	(747)	**-**	-	-
	38,439	75,272	40,483	**-**	-	-
Accrued receivables	**124,442**	208,143	19,966	**-**	-	-
Deposits	**787**	1,116	1,185	**303**	338	360
Prepaid taxes	**791**	549	123	**-**	-	-
Prepayments	**5,028**	5,553	2,032	**21**	17	-
Other receivables	**8,444**	8,392	9,498	**-**	8	136
Other assets	**-**	-	6,021	**-**	-	-
Amounts due from subsidiary companies (non-trade)	**-**	-	-	**1,819,980**	1,683,789	1,847,662
Less: Loss allowance	**-**	-	-	**(16,695)**	(14,718)	(14,718)
	-	-	-	**1,803,285**	1,669,071	1,832,944
	177,931	299,025	79,308	**1,803,609**	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.

Other assets represent assets recognised from costs incurred to fulfilling residential sales contract which was subsequently amortised to income statement as selling cost (2018: $Nil, 2017: $6,021,000) on a basis consistent with the pattern of recognition of the associated revenue.

The amounts due from subsidiary companies are unsecured, repayable on demand and are interest-bearing except for amounts totalling $329,316,000 (31 December 2017: $319,536,000; 1 January 2017: $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.

NOTES TO THE FINANCIAL STATEMENTS

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24. TRADE AND OTHER PAYABLES

	The Group			The Company		
	31 December		1 January	31 December		1 January
	2018 $'000	2017 $'000	2017 $'000	2018 $'000	2017 $'000	2017 $'000
(a) Current						
Monies received in advance	**16,301**	21,709	3,214	**-**	-	-
Rental received in advance	**7,942**	7,380	6,869	**-**	-	-
Rental deposits	**21,516**	24,130	22,161	**-**	-	-
Retention monies	**11,526**	19,719	29,178	**-**	-	-
Trade payables	**63,066**	62,250	64,302	**162**	329	358
Other payables	**10,452**	10,089	12,132	**137**	109	110
Accrued operating expenses	**25,718**	34,131	42,030	**1,858**	1,413	1,593
Accruals for completed projects	**11,217**	42,429	7,826	**-**	-	-
Amounts due to subsidiary companies (non-trade)	**-**	-	-	**633,425**	399,292	208,446
	167,738	221,837	187,712	**635,582**	401,143	210,507

The amounts due to subsidiary companies are unsecured, repayable on demand and are interest-bearing except for amounts totalling $3,676,000 (31 December 2017: $42,442,000; 1 January 2017: $42,482,000) which are interest-free.

	The Group			The Company		
	31 December		1 January	31 December		1 January
	2018 $'000	2017 $'000	2017 $'000	2018 $'000	2017 $'000	2017 $'000
(b) Non-current						
Rental deposits	**57,018**	53,208	55,157	**-**	-	-
Deferred revenue	**1,730**	-	-	**-**	-	-
Amount due to an associated company	**1,624**	1,624	1,624	**1,624**	1,624	1,624
	60,372	54,832	56,781	**1,624**	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

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25. BORROWINGS

			The Group			The Company		
			31 December		1 January	31 December		1 January
			2018	2017	2017	2018	2017	2017
		Note	$'000	$'000	$'000	$'000	$'000	$'000
(a)	*Current*							
	Short-term bank loans (unsecured)	(i)	**139,904**	50,966	494,626	**118,304**	50,966	314,626
	Term loan (secured)	(ii)	**2,376**	820	416	**-**	-	-
	Term loan (secured)		**-**	-	133,206	**-**	-	-
	Term loan (secured)		**-**	-	2,000	**-**	-	-
	Term loan (secured)		**-**	-	598,900	**-**	-	598,900
			142,280	51,786	1,229,148	**118,304**	50,966	913,526
(b)	*Non-current*							
	Term loan (secured)	(ii)	**8,712**	11,480	12,480	**-**	-	-
	Revolving credit loans (unsecured)	(iii)	**298,450**	467,650	-	**298,450**	467,650	-
			307,162	479,130	12,480	**298,450**	467,650	-
	Total borrowings		**449,442**	530,916	1,241,628	**416,754**	518,616	913,526

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

(ii) 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 $58,503,000 (31 December 2017: $66,826,000; 1 January 2017: $74,186,000).

(iii) 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 33(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 2018

25. 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 2.3% (2017: 2.0%) 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		
	31 December		1 January	31 December		1 January
	2018 $'000	2017 $'000	2017 $'000	2018 $'000	2017 $'000	2017 $'000
6 months or less	**399,342**	530,916	1,241,628	**366,654**	518,616	913,526
1 to 2 years	**50,100**	-	-	**50,100**	-	-

(d) Reconciliation of liabilities arising from financing activities

	The Group	
	2018 $'000	2017 $'000
Bank borrowings		
Beginning of financial year	**530,916**	1,241,628
Net repayment	**(79,671)**	(710,261)
Bank facility fees paid	**-**	(2,400)
Non-cash changes		
- Foreign exchange movement	**(2,403)**	705
- Amortisation of front end fee	**600**	1,244
End of financial year	**449,442**	530,916

26. DEFERRED INCOME TAXES

	The Group		
	31 December		1 January
	2018 $'000	2017 $'000	2017 $'000
Deferred income tax liabilities:			
- to be settled within 1 year	**11,895**	18,530	9,217
- to be settled after 1 year	**46,003**	46,067	45,726

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26. DEFERRED INCOME TAXES (CONTINUED)

Movements in the deferred income tax account are as follows:

	The Group	
	2018	**2017**
	$'000	**$'000**
Beginning of financial year	**64,597**	54,275
Effects of adopting SFRS(I) 15	**-**	668
Currency translation differences	**(32)**	(37)
(Credited)/Charged to income statement (note 9(a))	**(4,586)**	9,405
(Over)/Underprovision in prior financial years (note 9(a))	**(2,081)**	286
End of financial year	**57,898**	64,597

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 $30,219,000 (2017: $30,202,000) 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.

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**
2018				
Beginning of financial year	18,530	23,180	22,887	64,597
Currency translation differences	-	-	(32)	(32)
(Credited)/Charged to income statement	(4,438)	(420)	272	(4,586)
(Over)/Underprovision in prior financial years	(2,197)	-	116	(2,081)
End of financial year	11,895	22,760	23,243	57,898

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

26. DEFERRED INCOME TAXES (CONTINUED)

The Group (continued)

Deferred income tax liabilities (continued)

	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
Effects of adopting SFRS(I) 15	668	-	-	668
Currency translation differences	-	-	(37)	(37)
Charged/(Credited) to income statement	10,481	(420)	(656)	9,405
(Over)/Underprovision in prior financial years	(1,168)	-	1,454	286
End of financial year	18,530	23,180	22,887	64,597

27. SHARE CAPITAL

	The Group and the Company			
	2018		2017	
	No. of ordinary shares '000	Amount $'000	No. of ordinary shares '000	Amount $'000
Beginning of financial year	**1,432,157**	**1,564,282**	1,419,089	1,525,315
Shares issued pursuant to scrip dividend scheme	**-**	**-**	12,503	37,384
Shares issued pursuant to share option scheme	**374**	**1,098**	565	1,583
End of financial year	**1,432,531**	**1,565,380**	1,432,157	1,564,282

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

During the year, the Company issued 374,000 (2017: 565,000) ordinary shares pursuant to the share option scheme. The Company issued 12,502,950 ordinary shares at $2.99 per share to shareholders in lieu of cash dividends of 3.0 cents per ordinary share pursuant to United Industrial Corporation Scrip Dividend Scheme in 2017. The newly issued shares rank pari passu in all respects with the previously issued shares.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

27. SHARE CAPITAL (CONTINUED)

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 5 March 2018 ("Offer Date"), options were granted pursuant to the ESOS to the executives of the Company and its subsidiary companies to subscribe for 404,000 ordinary shares in the Company at the exercise price of $3.33 per ordinary share.

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 2018

27. SHARE CAPITAL (CONTINUED)

Movements in the number of unissued ordinary shares under option and their exercise prices 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							
2018							
2018 Options	-	404,000	(32,000)	-	372,000	$3.33	4.3.2028
2017 Options	466,000	-	(60,000)	-	406,000	$2.91	26.2.2027
2016 Options	480,000	-	(30,000)	(54,000)	396,000	$2.92	28.2.2026
2015 Options	416,000	-	(60,000)	-	356,000	$3.54	25.2.2025
2014 Options	386,000	-	-	(54,000)	332,000	$3.15	2.3.2024
2013 Options	375,000	-	-	(91,000)	284,000	$2.91	21.2.2023
2012 Options	209,000	-	-	(25,000)	184,000	$2.73	26.2.2022
2011 Options	208,000	-	-	-	208,000	$2.78	28.2.2021
2010 Options	100,000	-	-	-	100,000	$2.03	25.2.2020
2008 Options	150,000	-	-	(150,000)	-	$2.91	9.3.2018
	2,790,000	404,000	(182,000)	(374,000)	2,638,000		
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
	3,706,000	526,000	(877,000)	(565,000)	2,790,000		

Out of the unexercised options for 2,638,000 (2017: 2,790,000) shares, options for 1,561,000 (2017: 1,530,000) shares are exercisable at the statement of financial position date.

The weighted average share price at the time of exercise was $3.32 (2017: $3.27) per share.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

27. SHARE CAPITAL (CONTINUED)

The fair value of options granted on 5 March 2018 (2017: 27 February 2017), determined using the Binomial Option Valuation Model, was $304,400 (2017: $353,000). The significant inputs into the model were share price of $3.29 (2017: $2.88) at the grant date, exercise price of $3.33 (2017: $2.91), expected dividend yield of 0.91% (2017: 1.04%), standard deviation of expected share price returns of 15% (2017: 16%), the option life shown above and annual risk-free interest rate of 2.4% (2017: 2.5%). 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.

28. DIVIDENDS

	The Group and the Company	
	2018	**2017**
	$'000	**$'000**
Final tax-exempt (one-tier) cash dividend paid in respect of the previous financial year of 3.0 cents per share (2017: 3.0 cents per share) (note 29)	**42,974**	42,576

At the Annual General Meeting to be held on 23 April 2019, a final tax-exempt (one-tier) cash dividend of 3.5 cents per share will be recommended. Based on the number of issued shares as at 31 December 2018, this will amount to $50,139,000 which will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2019.

29. RETAINED EARNINGS

Reserves of the Company comprise retained earnings of $406,273,000 (2017: $406,600,000), share option reserve of $6,620,000 (2017: $6,368,000) and loss on hedging reserve of $276,000 (2017: $Nil). The movements in retained earnings for the Company are as follows:

	The Company	
	2018	**2017**
	$'000	**$'000**
Beginning of financial year	**406,600**	405,804
Net profit	**42,647**	43,372
Dividends paid (note 28)	**(42,974)**	(42,576)
End of financial year	**406,273**	406,600

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

30. 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.

31. OTHER RESERVES

	The Group	
	2018	**2017**
	$'000	**$'000**
(a) Currency translation reserve		
Beginning of financial year	**8,267**	11,122
Effects of adopting SFRS(I) 1	**(11,122)**	(11,122)
Net currency translation differences of financial statements of foreign entities	**(9,251)**	(2,901)
Less: Non-controlling interests	**672**	346
	(8,579)	(2,555)
Net currency translation differences on borrowings designated as net investment hedge of foreign operations	**839**	(300)
End of financial year	**(10,595)**	(2,855)
(b) Share option reserve – Employee share option scheme		
Beginning of financial year	**6,368**	6,169
Value of employee services	**252**	199
End of financial year	**6,620**	6,368
(c) Hedging reserve - interest rate risk		
Beginning of financial year	**381**	-
Share of a joint venture's hedging reserve	**117**	476
Share of a joint venture's tax on fair value	**(23)**	(95)
Fair value losses	**(283)**	-
	(189)	381
Transferred to income statement		
Finance expenses (note 8)	**7**	-
End of financial year	**199**	381
Total	**(3,776)**	3,894

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

32. COMMITMENTS

(a) Capital commitments

	The Group		
	31 December		1 January
	2018	2017	2017
	$'000	$'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	**2,373**	2,919	6,400
- property, plant and equipment	**7,479**	3,288	1,853
	9,852	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		
	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
Not later than 1 year	**972**	964	538
Between 1 and 5 years	**221**	1,147	620
	1,193	2,111	1,158

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

32. COMMITMENTS (CONTINUED)

(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		
	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
Not later than 1 year	**265,949**	253,651	250,235
Between 1 and 5 years	**463,003**	450,825	419,761
Later than 5 years	**33,583**	51,904	62,943
	762,535	756,380	732,939

33. 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. When necessary, the Group uses financial instruments such as interest rate swaps and foreign currency borrowings to hedge certain financial risk exposures.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(i) Currency risk (continued)

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, except for Great Britain Pound.

Currency exposure to the net assets of the Group's foreign operations in United Kingdom are managed primarily through borrowings denominated in Great Britain Pound.

There was no ineffectiveness during 2018 in relation to the net investment hedge.

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. The Group also manages these cash flow interest rate risks using floating-to-fixed interest rate swaps.

The Group enters into interest rate swaps with the same critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. The Group does not hedge 100% of its loans, therefore the hedged item is identified as a proportion of the outstanding amount of the borrowings. As all critical terms matched during the year, the economic relationship was 100% effective.

Hedge effectiveness

Hedge effectiveness is determined at the inception of the hedging relationship, and through periodic prospective effective assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

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

Hedge effectiveness (continued)

The Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item, and so a qualitative assessment of effectiveness is performed. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Group uses the hypothetical derivative method to assess effectiveness.

There was no ineffectiveness during 2018 in relation to the cash flow hedge.

The Group's borrowings at variable rates on which effective hedges have not been entered into are denominated mainly in SGD. If the SGD interest rates increase/decrease by 25 basis points (31 December 2017: 25 basis points; 1 January 2017: 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 $382,000 (31 December 2017: $1,280,000; 1 January 2017: $1,795,000) as a result of higher/lower interest expense on these variable-rate interest-bearing assets and liabilities.

(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 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, joint ventures and an associated company, 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 collateral, the maximum exposure to credit risk to each class of financial instruments is the carrying amount of that class of financial instruments presented on the statement of financial position, except for corporate guarantee provided by the Company in respect of a banking facility granted to a joint venture as disclosed in note 16.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2018

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

The movements in credit loss allowance are as follows:

	The Group 2018 $'000
Beginning of financial year	**633**
Loss allowance recognised in income statement during the year on:	
Assets acquired/originated	**123**
Reversal of unutilised amounts	**(178)**
	(55)
Receivables written off as uncollectible	**(50)**
End of financial year	**528**

The Group's cash and cash equivalents and amounts due from joint ventures and an associated company are subject to immaterial credit loss.

(i) Trade receivables and accrued receivables

In measuring the expected lifetime credit losses, trade receivables and accrued receivables are grouped based on shared credit risk characteristics and days past due. The accrued receivables relates to balance of sales consideration to be billed for properties held for sale that has obtained Temporary Occupation Permit, which have substantially the same risk characteristics as the trade receivables for the same type of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the accrued receivables.

In calculating the expected credit loss rates, the Group considers historical loss rates for customers and adjusts to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables. Management has considered, among other factors (including forward-looking information), the Group's historical loss pattern over the last three financial years and concluded that the expected credit loss rate for trade receivables and accrued receivables is close to zero. The loss allowance provision for trade receivables and accrued receivables was assessed as not material.

Trade receivables and accrued receivables are written off when there is no reasonable expectation of recovery. The Group considers a financial asset as in default if the counterparty has defaulted on payments despite attempts to recover the debts owing through legal means where appropriate or when the debtors are in significant financial difficulties. The Group writes off the financial asset when all attempts at recovery have been exhausted within a reasonable timeframe. Where recoveries are made, these are recognised in income statement.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(i) Trade receivables and accrued receivables (continued)

The Group's credit risk exposure in relation to trade receivables under SFRS(I) 9 as at 31 December 2018 are set out as follows:

	The Group 2018 $'000
Past due 0 to 1 month	**5,488**
Past due 1 to 2 months	**1,953**
Past due 2 to 3 months	**1,013**
Past due over 3 months	**3,120**
	11,574

(ii) Amounts due from subsidiary and associated companies, and joint ventures

For other trade and other receivables and amounts due from subsidiary and associated companies, and joint ventures, the Group and the Company apply either a 12-month expected credit losses or lifetime credit losses, depending on whether there has been a significant increase in credit risk since initial recognition.

The Group and the Company have assessed these receivables for their recoverability based on historical settlement records and past experience after adjusting for forward-looking macroeconomic factors and any recognition/writeback of loss allowance are made where necessary.

Previous accounting policy for impairment of trade receivables

In 2017, the impairment of financial assets was assessed based on the incurred loss impairment model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively, to determine whether there was objective evidence that an impairment had been incurred but not yet identified.

The Group considered that there was evidence if any of the following indicators were present:

- Significant financial difficulties of the debtor;
- Probability that the debtor will enter bankruptcy or financial reorganisation; and
- Default or delinquency in payments.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) *Credit risk (continued)*

The Group's credit risk exposure in relation to trade receivables under SFRS 39 as at 31 December 2017 and 1 January 2017 are set out in the as follows:

	The Group	
	31 December 2017 $'000	**1 January 2017 $'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

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.

Other than the above, there are no credit loss allowance for other financial assets at amortised costs as at 31 December 2017 and 1 January 2017.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

33. 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 2018				
Trade and other payables	(143,211)	(20,140)	(32,652)	(5,850)
Derivative financial instruments	(13)	(49)	-	-
Borrowings	(444,075)	(3,544)	(5,690)	-
	(587,299)	(23,733)	(38,342)	(5,850)
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 1 January 2017				
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)

NOTES TO THE FINANCIAL STATEMENTS

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33. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

	Less than 1 year $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000
The Company				
At 31 December 2018				
Trade and other payables	(635,330)	-	-	(1,624)
Derivative financial instruments	(13)	(49)	-	-
Borrowings	(419,540)	-	-	-
	(1,054,883)	(49)	-	(1,624)
At 31 December 2017				
Trade and other payables	(400,972)	-	-	(1,624)
Borrowings	(522,640)	-	-	-
	(923,612)	-	-	(1,624)
At 1 January 2017				
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 20.

NOTES TO THE FINANCIAL STATEMENTS

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33. 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 amount of dividend payment, returning capital to shareholders, issuing new shares or obtaining new borrowings.

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

	The Group		
	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
Debt	**449,442**	530,916	1,241,628
Total equity	**7,633,405**	7,346,636	7,041,232
Debt/Total equity ratio	**6%**	7%	18%

	The Company		
	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
Debt	**416,754**	518,616	913,526
Total equity	**1,977,997**	1,977,250	1,937,288
Debt/Total equity ratio	**21%**	26%	47%

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, where applicable, are in compliance, with all externally imposed capital requirements for the financial years ended 31 December 2018 and 2017.

NOTES TO THE FINANCIAL STATEMENTS

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33. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) *Financial instruments by category*

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

	The Group $'000	The Company $'000
31 December 2018		
Financial assets at amortised cost	793,638	1,805,332
Financial liabilities at amortised cost	651,579	1,053,960
31 December 2017		
Loans and receivables	657,358	1,670,586
Financial liabilities at amortised cost	778,496	921,383
1 January 2017		
Loans and receivables	684,357	1,834,306
Financial liabilities at amortised cost	1,476,038	1,125,657

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

34. RELATED PARTY TRANSACTIONS

(a) For the purpose of these financial statements, parties are considered to be related to the Group if the Group has the direct and indirect ability to control the party, jointly control or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or significant influence. Related parties may be individuals or other entities.

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	
	2018	**2017**
	$'000	**$'000**
Transactions with joint ventures		
Marketing fee income	**865**	1,274
Project management fee income	**240**	370
Fee income for arrangement of bank loan	**48**	179
Transactions with associated companies		
Sales of goods and services	**168**	168
Transactions with a firm in which a director has an interest		
Professional fee expense	**222**	391
Transactions with ultimate holding company		
Sales of goods and services	**301**	154
Fees paid for software implementation and support	**126**	47
Transactions with fellow subsidiary companies		
Sales of goods and services	**694**	148
Income from hotel and function room facilities	**171**	67
Fees paid for management of hotel	**8,799**	3,030
Transactions with other related parties		
Sales of goods and services	**-**	603
Income from hotel and function room facilities	**-**	248
Fees paid for management of hotel	**-**	5,380
Fees paid for software implementation and support	**-**	109

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

34. RELATED PARTY TRANSACTIONS (CONTINUED)

(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	
	2018	**2017**
	$'000	**$'000**
Directors of the Company		
- Fees	**564**	379
- Salaries, bonus and other emoluments	**1,275**	1,216
- Employer's contribution to defined contribution plan	**15**	15
- Share option expense	**93**	69
	1,947	1,679

35. 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.
- Technology operations - 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 2018

35. SEGMENT INFORMATION (CONTINUED)

	Property investment		Property trading		Hotel operations		Technology operations		Others		The Group	
	2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**	**2018 $'000**	**2017 $'000**	**2018 $'000**	**2017 $'000**	**2018 $'000**	**2017 $'000**	**2018 $'000**	**2017 $'000**
Revenue												
- **external sales**	**287,371**	281,303	**87,017**	760,299	**155,334**	149,114	**125,484**	99,223	**1,761**	2,230	**656,967**	1,292,169
Segment results	**202,748**	198,633	**28,931**	121,390	**27,337**	24,391	**3,792**	2,582	**1,335**	1,836	**264,143**	348,832
Unallocated costs											**(8,339)**	(8,820)
Interest income											**10,829**	4,438
Finance expenses											**(11,098)**	(11,679)
Profit before share of results of associated companies and joint ventures											**255,535**	332,771
Share of results of associated companies	**11,347**	11,675	**9,136**	638	**22,513**	19,791	**-**	-	**-**	-	**42,996**	32,104
Share of results of joint ventures	**9,024**	17,546	**25,558**	17,084	**-**	-	**-**	-	**-**	-	**34,582**	34,630
Fair value gain/(loss) on investment properties	**47,613**	(29,717)	**-**	-	**-**	-	**-**	-	**-**	-	**47,613**	(29,717)
Profit before income tax											**380,726**	369,788
Segment assets	**6,382,396**	6,277,586	**798,413**	815,741	**498,081**	491,602	**39,090**	29,797	**7,665**	9,825	**7,725,645**	7,624,551
Investments in associated companies	**269,984**	260,137	**146,617**	141,142	**178,846**	167,714	**-**	-	**-**	-	**595,447**	568,993
Investments in joint ventures	**44,701**	37,331	**55,857**	30,298	**-**	-	**-**	-	**-**	-	**100,558**	67,629
Consolidated total assets											**8,421,650**	8,261,173
Other segment items												
Capital expenditure	**6,630**	14,201	**-**	7	**5,962**	6,902	**199**	236	**63**	64	**12,854**	21,410
Depreciation	**345**	345	**8**	8	**22,166**	22,001	**178**	148	**398**	92	**23,095**	22,594
Allowance/(Write-back of allowance) for foreseeable losses on properties held for sale	**-**	-	**5,677**	(29,300)	**-**	-	**-**	-	**-**	-	**5,677**	(29,300)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

35. 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		
			31 December		1 January
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2017 $'000
Singapore	**628,454**	1,268,863	**7,097,122**	7,004,094	7,035,819
Other countries	**28,513**	23,306	**250,078**	246,987	235,969
	656,967	1,292,169	**7,347,200**	7,251,081	7,271,788

36. 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 the Company of 50.01% as at 13 June 2018. Accordingly, the Company became a subsidiary company of UOL Group pursuant to Section 5 of the Companies Act (Cap 50, Singapore Statutes).

UEI and UOL are the Company's immediate and ultimate holding company respectively. Both companies are incorporated in Singapore.

37. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2019 and which the Group has not early adopted:

(a) SFRS(I) 16 *Leases* (effective for annual periods beginning on or after 1 January 2019)

SFRS(I) 16 will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

The Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

37. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS (CONTINUED)

(b) SFRS(I) INT 23 *Uncertainty Over Income Tax Treatments* (effective for annual periods beginning on or after 1 January 2019)

The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:

(i) how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty;

(ii) that the entity should assume a tax authority will examine, the uncertain tax treatments and have full knowledge of all related information, i.e. that detection risk should be ignored;

(iii) that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment;

(iv) that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty; and

(v) that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

The Group does not expect additional tax liability to be recognised on the adoption of the interpretation on 1 January 2019.

(c) SFRS(I) 1-23 *Borrowing Costs*

In 2018, the IFRS Interpretations Committee ("Interpretations Committee"), which works with the International Accounting Standards Board in supporting the application of IFRS Standards, received a submission on whether a real estate developer capitalises borrowing costs as part of the cost of units for a residential multi-unit real estate development, for which the developer recognises revenue over time for the sale of individual units in the development based on IFRS 15 *Revenue from Contracts with Customers*.

In November 2018, the Committee tentatively decided not to add this matter to its standard-setting agenda and issued a Tentative Agenda Decision containing explanatory material for the decision and how the applicable principles and requirements in IAS 23 *Borrowing Costs* apply to the fact pattern in the submission. The Interpretations Committee tentatively concluded that, the entity should not capitalise borrowing costs.

As SFRS(I) 1-23 and SFRS(I) 15 are aligned to IAS 23 and IFRS 15 respectively, the above Tentative Agenda Decision would be relevant to the Group. However, given that the Tentative Agenda Decision (including explanatory material) is subject to finalisation by the Interpretations Committee after consideration of the comments received, these financial statements have not reflected the Tentative Agenda Decision.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

37. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS (CONTINUED)

(c) SFRS(I) 1-23 *Borrowing Costs* (continued)

Management has assessed that should the Tentative Agenda Decision be finalised in its current form, i.e. with no amendments to the content of the agenda decision, the provisional impact on the line items in the Group's financial statements that may be adjusted as a result of the change in accounting policy are summarised below:

	(Decrease)/Increase	
The Group	**For the financial year ended 31 December 2018 $'000**	**For the financial year ended 31 December 2017 $'000**
Consolidated income statement		
Cost of sales	**(1,417)**	(12,013)
Finance expenses	**-**	4,359
Share of results of associated companies	**(1,162)**	-
Share of results of joint ventures	**3,285**	(377)
Income tax expense	**182**	1,563
Net profit	**3,358**	5,714
Profit attributable to:		
Equity holders of the Company	**3,345**	5,702
Non-controlling interests	**13**	12

	(Decrease)/Increase		
	31 December		**1 January**
The Group	**2018 $'000**	**2017 $'000**	**2017 $'000**
Statement of financial position			
Properties held for sale	**(4,934)**	(6,351)	(14,005)
Investments in associated companies	**(1,162)**	-	-
Investments in joint ventures	**298**	(2,987)	(2,610)
Current income tax liabilities	**(476)**	(605)	(780)
Deferred income tax liabilities	**(355)**	(408)	(1,796)
Reserves	**(4,969)**	(8,314)	(14,016)
Non-controlling interests	**2**	(11)	(23)

38. 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 22 February 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

	Principal activities	Country of incorporation/ business	The Group's equity holding 31 December 2018 %	31 December 2017 %	1 January 2017 %
Subsidiary companies					
UIC Development (Private) Limited	Investment holding	Singapore	**100**	100	100
UIC Enterprise Pte Ltd	Investment holding	Singapore	**100**	100	100
UIC Investment Pte Ltd	Property trading	Singapore	**100**	100	100
UIC Investments (Properties) Pte Ltd	Property investment	Singapore	**100**	100	100
UIC Supplies Pte Ltd[@]	Property trading	Singapore	**-**	100	100
UIC Land Pte Ltd	Property investment	Singapore	**100**	100	100
UIC Management Services Pte. Ltd.	Property management agents	Singapore	**100**	100	100
Active Building & Civil Construction (1985) Pte. Ltd.	Investment holding	Singapore	**100**	100	100
Networld Pte Ltd	Investment holding	Singapore	**100**	100	100
Networld Realty Pte Ltd[@]	Investment holding	Singapore	**-**	100	100
UIC China Realty Pte. Ltd.	Investment holding	Singapore	**100**	100	100
UIC Overseas Investments Pte. Ltd.	Investment holding	Singapore	**100**	100	100
Alprop Pte Ltd	Property investment	Singapore	**100[++]**	100[++]	100[++]
Singapore Land Limited	Investment holding	Singapore	**100[+]**	100[+]	100[+]
Gateway Land Limited	Property investment	Singapore	**100[+]**	100[+]	100[+]
Ideal Homes Pte. Limited	Property trading	Singapore	**100[+]**	100[+]	100[+]
Realty Management Services (Pte) Ltd.	Property management agents	Singapore	**100[+]**	100[+]	100[+]
RMA-Land Development Private Ltd	Investment holding	Singapore	**100[+]**	100[+]	100[+]

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

39. LISTING OF SUBSIDIARY AND ASSOCIATED COMPANIES, AND JOINT VENTURES IN THE GROUP (CONTINUED)

	Principal activities	Country of incorporation/ business	The Group's equity holding 31 December 2018 %	31 December 2017 %	1 January 2017 %
Subsidiary companies (continued)					
Shing Kwan Realty (Pte.) Limited	Property investment and investment holding	Singapore	**100+**	100+	100+
Singland (Chengdu) Development Co., Ltd.#	Property trading	People's Republic of China	**100+**	100+	100+
Singland Development (Farrer Drive) Pte. Ltd.	Property trading	Singapore	**100+**	100+	100+
Singland Development (Jervois) Pte. Ltd.	Property trading	Singapore	**100+**	100+	100+
Singland Homes (Alexandra) Pte. Ltd.	Property trading	Singapore	**100+**	100+	100+
S.L. Development Pte. Limited	Property investment and investment holding	Singapore	**100+**	100+	100+
S L Prime Properties Pte Ltd	Property investment	Singapore	**100+**	100+	100+
S L Prime Realty Pte Ltd	Property investment	Singapore	**100+**	100+	100+
S.L. Properties Limited	Property investment and investment holding	Singapore	**100+**	100+	100+
Pothonier Singapore Pte Ltd	Investment holding	Singapore	**100+**	100+	100+
Shenton Holdings Private Limited	Investment holding	Singapore	**100+**	100+	100+
Singland China Holdings Pte. Ltd.	Investment holding	Singapore	**100+**	100+	100+
Singland Homes Pte. Ltd.	Investment holding	Singapore	**100+**	100+	100+
S.L. Home Loans Pte. Ltd.	Investment holding	Singapore	**100+**	100+	100+
S.L. Management Services Pte Limited@	Investment holding	Singapore	**-**	100+	100+
Brendale Pte Ltd@@	Property trading	Singapore	**-**	-	70

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

39. LISTING OF SUBSIDIARY AND ASSOCIATED COMPANIES, AND JOINT VENTURES IN THE GROUP (CONTINUED)

	Principal activities	Country of incorporation/ business	The Group's equity holding 31 December 2018 %	31 December 2017 %	1 January 2017 %
Subsidiary companies (continued)					
UIC Homes Pte. Ltd.	Investment holding	Singapore	**100**	100	100
UIC Asian Computer Services Pte Ltd	Retailing of computer hardware and software	Singapore	**60**	60	60
UIC Technologies Pte Ltd	Investment holding	Singapore	**60**	60	60
Marina Centre Holdings Private Limited	Property development and investment	Singapore	**53**	53	53
Marina Management Services Pte Ltd	Property management agents	Singapore	**53**	53	53
Hotel Marina City Private Limited	Hotelier	Singapore	**53**	53	53
UIC JinTravel (Tianjin) Co., Ltd#	Property investment and trading	People's Republic of China	**51**	51	51
Associated companies					
Avenue Park Development Pte. Ltd.	Property trading	Singapore	**48**	48	48
Tianjin Yanyuan International Grand Hotel* (formerly known as Tianjin Yan Yuan International Hotel)	Hotel investment	People's Republic of China	**36**	36	36
Shanghai Jin Peng Realty Co., Ltd#	Property trading	People's Republic of China	**30**	30	30
Aquamarina Hotel Private Limited	Hotelier	Singapore	**26**	26	26
Marina Bay Hotel Private Limited	Hotelier	Singapore	**26**	26	26
Novena Square Development Ltd	Property investment	Singapore	**20**	20	20
Novena Square Investments Ltd	Property investment	Singapore	**20**	20	20
United Venture Development (Silat) Pte. Ltd.	Property trading	Singapore	**30**	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

39. LISTING OF SUBSIDIARY AND ASSOCIATED COMPANIES, AND JOINT VENTURES IN THE GROUP (CONTINUED)

	Principal activities	Country of incorporation/ business	The Group's equity holding 31 December 2018 %	31 December 2017 %	1 January 2017 %
Joint ventures					
United Venture Development (Bedok) Pte. Ltd.	Property trading	Singapore	**50**	50	50
United Venture Development (Thomson) Pte. Ltd.	Property trading	Singapore	**50**	50	50
United Venture Development (Clementi) Pte. Ltd.	Property trading	Singapore	**50**	50	50
UVD (Projects) Pte. Ltd.	Property trading	Singapore	**50**	50	50
United Venture Investments (HI) Pte. Ltd.	Property investment	Singapore/United Kingdom	**50**	50	50

	Country of incorporation/ business	The Group's equity holding 31 December 2018 %	31 December 2017 %	1 January 2017 %
Inactive companies				
Subsidiary companies				
UIC Commodities Pte Ltd^	Singapore	**100**	100	100
UIC Printedcircuits Pte Ltd^	Singapore	**100**	100	100
UIC Commercial Properties Pte. Ltd.^ (formerly known as Union Commodities Pte Ltd)	Singapore	**100**	100	100
Interpex Services Private Limited	Singapore	**100+**	100+	100+
Singland Homes (London 90) Pte. Ltd.^	Singapore	**100+**	100+	100+
UIC Investments (Equities) Pte Ltd^	Singapore	**60**	60	60

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

39. LISTING OF SUBSIDIARY AND ASSOCIATED COMPANIES, AND JOINT VENTURES IN THE GROUP (CONTINUED)

	Country of incorporation/ business	The Group's equity holding 31 December 2018 %	31 December 2017 %	1 January 2017 %
Associated companies				
United Venture Investment (Thomson) Pte. Ltd.	Singapore	**40**	40	40
Peak Venture Pte. Ltd.*	Singapore	**30**	30	30
United Venture Development (No. 1) Pte. Ltd.	Singapore	**42**	42	-
United Venture Development (No. 2) Pte. Ltd.	Singapore	**30**	30	-
United Venture Development (No. 3) Pte. Ltd.	Singapore	**30**	-	-
United Venture Investments (No. 1) 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.
@ Not required to be audited as the company was liquidated during the financial year.
@@ Not required to be audited as the company was liquidated during the financial year ended 31 December 2017.

FIVE YEAR SUMMARY 2014 - 2018

Group profit and loss accounts ($'000)	2014	2015	2016	2017	2018
Revenue	693,196	807,199	1,036,584	1,292,169	**656,967**
Profit before income tax	491,637	328,687	321,651	369,788	**380,726**
Income tax expense	(40,365)	(40,017)	(49,505)	(49,071)	**(41,227)**
Net profit	451,272	288,670	272,146	320,717	**339,499**
Attributable to:					
Equity holders of the Company					
- Net profit from operations	223,184	234,167	242,920	301,830	**250,621**
- Net fair value gain/(loss) on investment properties	175,202	24,268	36,626	(4,515)	**62,748**
	398,386	258,435	279,546	297,315	**313,369**
Non-controlling interests	52,886	30,235	(7,400)	23,402	**26,130**
	451,272	288,670	272,146	320,717	**339,499**
Dividends proposed (net)	41,799	42,151	42,576	42,974	**50,139**

Group statements of financial position ($'000)	2014	2015	2016	2017	2018
Investment properties	5,989,900	6,095,400	6,175,900	6,160,900	**6,215,000**
Property, plant and equipment	509,151	491,926	469,861	453,559	**434,546**
Other non-current assets	760,598	654,987	745,067	830,041	**1,074,673**
Current assets	1,244,134	1,309,547	1,237,813	816,673	**697,431**
Total assets	8,503,783	8,551,860	8,628,641	8,261,173	**8,421,650**
Current liabilities	(862,859)	(865,715)	(1,463,205)	(315,978)	**(362,485)**
Non-current liabilities	(1,128,057)	(892,447)	(124,204)	(598,559)	**(425,760)**
Net assets employed	6,512,867	6,793,698	7,041,232	7,346,636	**7,633,405**
Share capital	1,446,183	1,486,638	1,525,315	1,564,282	**1,565,380**
Reserves	4,261,202	4,485,489	4,712,794	4,965,258	**5,227,983**
	5,707,385	5,972,127	6,238,109	6,529,540	**6,793,363**
Non-controlling interests	805,482	821,571	803,123	817,096	**840,042**
Total equity	6,512,867	6,793,698	7,041,232	7,346,636	**7,633,405**

FIVE YEAR SUMMARY 2014 - 2018

Other data	2014	2015	2016	2017	2018
Profit before income tax - % of revenue	71	41	31	29	**58**
Profit attributable to equity holders of the Company					
- % of revenue	57	32	27	23	**48**
- % of share capital and reserves	7.0	4.3	4.5	4.6	**4.6**
Earnings per share (cents)					
- excluding fair value gain/(loss) on investment properties	16.1	16.7	17.2	21.2	**17.5**
- including fair value gain/(loss) on investment properties	28.7	18.5	19.8	20.8	**21.9**
Dividends proposed					
- gross per share (cents)	3.0	3.0	3.0	3.0	**3.5**
- cover (times)	5.3	5.6	5.7	7.0	**5.0**
Net asset value per share ($)	4.10	4.25	4.40	4.56	**4.74**

STATISTICS OF SHAREHOLDINGS

As at 8 March 2019

Number of Issued and Fully Paid Shares	:	1,432,531,362 Ordinary Shares
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote per share

DISTRIBUTION OF SHAREHOLDINGS AS AT 8 MARCH 2019

Size of Shareholdings	No. of shareholders	%	No. of shares	%
1 - 99	273	2.72	9,253	0.00
100 - 1,000	1,482	14.74	1,019,973	0.07
1,001 - 10,000	6,055	60.23	26,418,032	1.84
10,001 - 1,000,000	2,225	22.13	80,560,100	5.62
1,000,001 and Above	18	0.18	1,324,524,004	92.46
TOTAL	**10,053**	**100.00**	**1,432,531,362**	**100.00**

LIST OF 20 LARGEST SHAREHOLDERS AS AT 8 MARCH 2019

Name	No. of Shares	%Shares
UOB KAY HIAN PTE LTD	697,303,294	48.68
DBS VICKERS SECURITIES (S) PTE LTD	514,544,615	35.92
CITIBANK NOMS SPORE PTE LTD	26,729,054	1.87
DBS NOMINEES PTE LTD	26,440,479	1.85
UOL EQUITY INVESTMENTS PTE LTD	21,280,442	1.49
CHEONG SOH CHIN @ JULIE	7,381,133	0.52
UNITED OVERSEAS BANK NOMINEES PTE LTD	6,621,162	0.46
CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	5,506,656	0.38
SHANWOOD DEVELOPMENT PTE LTD	3,120,427	0.22
OCBC NOMINEES SINGAPORE PTE LTD	2,622,405	0.18
CHING MUN FONG	2,551,469	0.18
MERRILL LYNCH (SPORE) PTE LTD	2,165,508	0.15
RAFFLES NOMINEES (PTE) LIMITED	1,550,072	0.11
PHILLIP SECURITIES PTE LTD	1,481,715	0.10
SEE HUNG YEE	1,388,636	0.10
LEE YUEN SHIH	1,350,766	0.09
MAYBANK KIM ENG SECURITIES PTE.LTD.	1,271,171	0.09
PRIMA INVESTMENT HOLDINGS (SINGAPORE) PTE LTD	1,215,000	0.08
HOE SENG CO PTE LTD	935,088	0.07
HSBC (SINGAPORE) NOMINEES PTE LTD	857,113	0.06
Total:	**1,326,316,205**	**92.60**

STATISTICS OF SHAREHOLDINGS
As at 8 March 2019

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS AS AT 8 MARCH 2019

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	%
UOL Equity Investments Pte Ltd	684,029,136[(1)]	nil	47.75
UOL Group Limited	33,615,314[(2)]	684,029,136[(2)]	50.10
Dr Wee Cho Yaw	–	717,644,450[(3)]	50.10
Telegraph Developments Ltd	530,727,364	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 717,644,450 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	662,748,694
UOL Equity Investments Pte Ltd	21,280,442

RULE 723 OF THE SGX-ST LISTING MANUAL

Based on the information available to the Company as at 8 March 2019, approximately 12.83% 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 57th 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 Tuesday, 23 April 2019 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 2018 together with the Auditor's Report. — Resolution 1

2. To declare a first and final tax exempt (one-tier) dividend of 3.5 cents per ordinary share for the financial year ended 31 December 2018. (2017: 3.0 cents) — Resolution 2

3. To approve Directors' fees of $494,250 for the financial year ended 31 December 2018. (2017: $308,500) — Resolution 3

4. To re-elect Mr Lim Hock San, who retires by rotation pursuant to Article 94 of the Company's Constitution, as Director of the Company. — Resolution 4

5. To re-elect Mr Antonio L. Go, who retires by rotation pursuant to Article 94 of the Company's Constitution, as Director of the Company. — Resolution 5

6. To re-elect Mr Hwang Soo Jin, who retires by rotation pursuant to Article 94 of the Company's Constitution, as Director of the Company. — Resolution 6

7. To re-elect Mr Yang Soo Suan, who retires by rotation pursuant to Article 94 of the Company's Constitution, as Director of the Company. — Resolution 7

8. To re-appoint PricewaterhouseCoopers LLP as Auditor of the Company and to authorise the Directors to fix their remuneration. — Resolution 8

AS SPECIAL BUSINESS

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

9. That authority be and is hereby given to the Directors of the Company to issue: — Resolution 9

   (i) shares of the Company ("Shares");

   (ii) convertible securities;

NOTICE OF ANNUAL GENERAL MEETING

(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;

(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.

NOTICE OF ANNUAL GENERAL MEETING

10. That the Directors be and are hereby authorised to: Resolution 10

    (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, 2 April 2019

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 (“Proxy Form”) appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the Proxy Form.

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 Proxy Form 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 Proxy Form.

“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

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 – Mr Lim Hock San, if re-elected, will remain as an Executive Director. He is the President/CEO of the Group.

Resolution 5 – Mr Antonio L. Go, if re-elected, will remain as a member of both the Nominating Committee and Remuneration Committee. He is an Independent Director.

Resolution 6 – Mr Hwang Soo Jin, if re-elected, will remain as Nominating Committee Chairman and a member of both the Remuneration Committee and Audit Committee. He is an Independent Director.

Resolution 7 – Mr Yang Soo Suan, if re-elected, will remain as Audit Committee Chairman and a member of the Nominating Committee. He is an Independent Director.

Please refer to the "Board of Directors" section of the Annual Report 2018 for information on the current directorships in other listed companies and other principal commitments of Mr Lim Hock San, Mr Antonio L. Go, Mr Hwang Soo Jin and Mr Yang Soo Suan.

Resolution 9 is to authorise the Directors, from the date of this AGM until the date 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 10 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 10 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 ANNUAL GENERAL MEETING

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the information relating to Messrs Lim Hock San, Antonio L. Go, Hwang Soo Jin and Yang Soo Suan, all of whom are seeking re-election as Directors at the 57th Annual General Meeting of the Company, is set out below and is to be read in conjunction with their respective biographies on pages 5 to 10 of this report:

Director	Lim Hock San	Antonio L. Go	Hwang Soo Jin	Yang Soo Suan
Age	73	79	83	83
Country of principal residence	Singapore	Philippines	Singapore	Singapore
The Board's comments on this re-election	Mr Lim Hock San has the requisite experience and capability to be re-elected as Director.	Mr Antonio L. Go has the requisite experience and capability to be re-elected as Director and his years of service have not compromised his independence and ability to discharge his duties as Independent Director.	Mr Hwang Soo Jin has the requisite experience and capability to be re-elected as Director and his years of service have not compromised his independence and ability to discharge his duties as Independent Director.	Mr Yang Soo Suan has the requisite experience and capability to be re-elected as Director.
Working experience and occupation(s) during the past 10 years	President and CEO, United Industrial Corporation Limited	Chairman and President, Equicom Group of Companies	Chartered Insurer	Architect
Shareholding interest in the Company and its subsidiaries	Please refer to Page 51 of this report	NIL	NIL	NIL
Conflict of interest (including any competing business)	No	No	No	No
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the Company	Yes	Yes	Yes	Yes

NOTICE OF ANNUAL GENERAL MEETING

Director		Lim Hock San	Antonio L. Go	Hwang Soo Jin	Yang Soo Suan
(a)	Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No	No
b)	Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No	No	No
c)	Whether there is any unsatisfied judgement against him?	No	No	No	No
d)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No	No

NOTICE OF ANNUAL GENERAL MEETING

Director		Lim Hock San	Antonio L. Go	Hwang Soo Jin	Yang Soo Suan
e)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No	No
f)	Whether at any time during the last 10 years, judgement has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No	No
g)	Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No	No
h)	Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No	No

NOTICE OF ANNUAL GENERAL MEETING

Director	Lim Hock San	Antonio L. Go	Hwang Soo Jin	Yang Soo Suan
(i) Whether he has ever been the subject of any order, judgement or ruling of any court, tribunal or governmental body permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No	No
(j) Whether he has ever, to his knowledge been concerned with the management of conduct, in Singapore or elsewhere, of the affairs of:				
(i) Any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No	No	No
(ii) Any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,	No	No	No	No

NOTICE OF ANNUAL GENERAL MEETING

Director	Lim Hock San	Antonio L. Go	Hwang Soo Jin	Yang Soo Suan
(v) in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning by the Monetary Authority of Singapore or any other regulatory authority, exchange professional body or government agency, whether in Singapore or elsewhere?	No	No	No	No

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 3.5 cents per ordinary share for the financial year ended 31 December 2018, the Register of Members and Share Transfer Books of the Company will be closed at 5.00 p.m. on 8 May 2019 ("Book Closure Date"), for the preparation of dividend warrants.

Duly completed transfers of shares 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 by the members at the Annual General Meeting on 23 April 2019, will be paid on 28 May 2019.

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UNITED INDUSTRIAL CORPORATION LIMITED
Company 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 2 April 2019.

NO VOUCHERS OR DOOR GIFTS
The Company will not be distributing any vouchers or door gifts at the Annual General Meeting.

I/We ________________________________ (Name) ____________________ (NRIC/Passport/Co Reg Number)

of ____ (Address)

being a member/members of United Industrial Corporation Limited (the "Company"), hereby appoint:-

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of shares	%
Address			

or failing him/them, the Chairman of the 57th 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 23 April 2019 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 Mr Lim Hock San as Director		
5	Re-election of Mr Antonio L. Go as Director		
6	Re-election of Mr Hwang Soo Jin as Director		
7	Re-election of Mr Yang Soo Suan as Director		
8	Re-appointment of PricewaterhouseCoopers LLP as Auditor		
9	Authority for Directors to issue shares (General Share Issue Mandate)		
10	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 ____________ 2019

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 TO PROXY FORM ON REVERSE PAGE

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.

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

www.uic.com.sg

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FSC™ C124277

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