

REPORT ON CORPORATE GOVERNANCE

The Board of Directors (the “Board” or the “Directors”) of United Engineers Limited (the “Company”, and together with its subsidiaries, the “Group”) is committed to maintaining high standards of corporate governance and transparency within the Group. The Group has adopted and complied with, wherever feasible, the principles and guidelines of the Code of Corporate Governance 2012 (“Code 2012”). Pursuant to Rule 710 of the Listing Manual of Singapore Exchange Securities Trading Limited (the “SGX-ST”), we set out below the details of our governance practices and provide explanations for deviations from the Code 2012 within this Annual Report.

BOARD MATTERS

PRINCIPLE 1: THE BOARD’S CONDUCT OF AFFAIRS

The Board is entrusted with the responsibility for effective oversight of the management of the Group’s businesses and affairs. The Board works closely with the management to promote the success of the Group. Apart from its statutory responsibilities, the principal functions of the Board include, but are not limited to, the following:

- (i) setting the overall strategic directions and long-term goals of the Group, and ensuring that the financial and human resources are allocated in an optimal manner for the Group to meet its objectives;
- (ii) approving major projects, policy decisions, annual budgets, major investment funding and major restructuring of core businesses;
- (iii) establishing a framework of prudent and effective controls so that all risks faced by the Group in its business operations can be effectively and comprehensively assessed and managed;
- (iv) monitoring and reviewing management’s performance and the financial performance of the Group; and
- (v) setting the Group’s values and standards, and ensuring that obligations to shareholders and other stakeholders are understood and met;
- (vi) identifying key stakeholder groups and recognising that their perceptions affect the Company’s reputation; and
- (vii) considering sustainability issues, including environmental and social factors, as part of its strategic formulation.

The Directors are required to objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company.

The Board has formed various board committees, namely, the Audit & Risk Committee (“ARC”), the Nominating Committee (“NC”) and the Remuneration Committee (“RC”) (collectively, the “Board Committees”). The Board has delegated specific responsibilities to each of these Board Committees. These Board Committees have been formed, and their powers, functions and duties are guided by their specific terms of reference.

The composition of the Board Committees for the financial year ended 31 December 2018 (“FY 2018”) is tabulated below:

Name of Director	ARC	NC	RC
Mr Zhong Sheng Jian		M	
Mr Teo Ser Luck	M	C	M
Mr Lee Suan Hiang	M		C
Mr David Wong Cheong Fook	C	M	
Mr Pua Seck Guan			M

Denotes: C – Chairman M – Member

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The Board meets at least four (4) times a year for regular scheduled meetings, and as often as may be required to deal with *ad-hoc* matters. The Constitution of the Company (the "Constitution") allows for telephonic and conference meetings.

The attendance records of the Directors at meetings of the Board and the Board Committees in FY 2018 are set out below:

	Board	ARC [^]	NC	RC
No. of meetings held	4	6	3	2
No. of meetings attended				
Mr Zhong Sheng Jian	4	6*	3	2*
Mr Teo Ser Luck	4	6	3	2
Mr Lee Suan Hiang	4	6	3*	2
Mr David Wong Cheong Fook	4	6	3	2*
Mr Pua Seck Guan	4	6*	3*	2
Mr Tan Chee Keong Roy	4	6 [#]	3 [#]	2 [#]

Notes:

[^] Enterprise Risk Management ("ERM") forms part of the ARC's scope and responsibilities. During the year, the ARC held two (2) separate meetings to discuss ERM matters specifically.

* By invitation

[#] In attendance

The Group has adopted internal guidelines on matters that require the Board's approval. These principally include broad policy decisions, annual budgets, material acquisitions and disposals of assets, significant legal and financial issues, major tenders, announceable matters, interested person transactions ("IPTs"), appointment and termination of Directors and key management staff and other matters as may be considered by the Board from time to time.

Any newly appointed Director is provided with an information package and a formal letter which sets out his duties and obligations as a Director under the various regulations and how these are to be discharged. An in-house orientation programme incorporating briefings from various business and corporate units is arranged for a newly appointed Director to better familiarise himself with the Group's businesses and governance practices. Where appropriate, training will be provided to first-time Directors of listed companies in areas such as accounting, legal and industry-specific knowledge.

Various training programmes in areas such as accounting, legal, risk management and industry-specific matters are made available to and arranged for the Directors, at the Company's expense. The Company Secretary brings to the Directors' attention information on any seminars that may be of relevance to them.

PRINCIPLE 2: BOARD COMPOSITION AND GUIDANCE

As at the date of this Corporate Governance Report, the Board comprises six (6) Directors, of whom three (3) are Independent and Non-Executive Directors. The three (3) Independent and Non-Executive Directors, namely, Mr Teo Ser Luck, Mr David Wong Cheong Fook and Mr Lee Suan Hiang, have confirmed that none of them and their immediate family members have a relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgement with a view to the best interests of the Company.

The NC, taking into account the nature of the Group's operation, considers the current Board size to be adequate for effective decision making. The NC reviews whether the Board and its Board Committees provide an appropriate balance and diversity of skills, experience, gender and knowledge of the Group. The NC is satisfied that the present Board has an appropriate mix

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of expertise, experience and independence needed to discharge its duties effectively. The Directors have diverse backgrounds in the real estate, accounting, business and public sectors. They possess core competencies and skills that best contribute to the Board's decision making process. They actively participate in discussions and decision making at the Board and Board Committee levels, as well as in open and candid discussions with the management. The Non-Executive Directors are encouraged to constructively challenge and help develop proposals on strategy, and review and monitor the performance of the management against target goals and objectives. The Non-Executive Directors may also meet separately (as and when circumstances arise) without the presence of the management.

No individual Director dominates the Board's decision making and there is sufficient accountability and capacity for independent decision making. Any Director who has conflicting interest with the subject discussed at the meeting would either declare his interest and abstain from voting or recuse himself from the information flow and discussion of the subject matter.

The NC determines annually whether or not a Director is independent based on the Code 2012 and a written declaration of their independence provided by the Directors. The independence of any Director who has served on the Board beyond nine (9) years from the date of his first appointment is subject to particularly rigorous review. During the year, none of the Directors have served on the Board for more than nine (9) years from the date of their first appointments.

Profiles of the Directors are found on pages 12 to 14 of this Annual Report.

PRINCIPLE 3: CHAIRMAN AND GROUP MANAGING DIRECTOR

Mr Zhong Sheng Jian is the Executive Chairman and Non-Independent and Executive Director of the Company. The Company has appointed Mr Teo Ser Luck as its Lead Independent Director ("Lead ID"), in view that the Executive Chairman, Mr Zhong Sheng Jian, is not an Independent Director. As the Lead ID, Mr Teo Ser Luck is available to shareholders where they have concerns and for which their previous contact through the normal channel of the Executive Chairman or the Group Managing Director has failed to resolve the matter or has been inappropriate.

As the Executive Chairman, Mr Zhong Sheng Jian focuses on leading the Board to ensure its effectiveness in all aspects of its role, and setting its agenda and ensuring that adequate time is available for discussion of all agenda items, in particular strategic issues. He plays a significant leadership role by providing clear oversight, advice and guidance to the management. He ensures that the Directors receive complete, adequate and timely information. At Board meetings, he promotes a culture of openness and ensures that the Non-Executive Directors are able to communicate freely and contribute effectively. He also ensures that the Company maintains high standards of corporate governance. At shareholders' meetings, the Chairman plays an important role in promoting constructive dialogue between shareholders, the Board and the management.

The Group Managing Director bears executive responsibility for the management and development of the Group's businesses. He executes the agreed strategies and implements the Board's decisions so as to enable the Group to continue its strategic objective of growing the core businesses, streamlining business activities and enhancing and unlocking value for shareholders.

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

Led by the Lead ID, the Independent Directors and the Non-Executive Directors may meet separately (as and when circumstances arise) without the presence of the other Directors. The Lead ID provides feedback to the Executive Chairman on the issues discussed at such meetings.

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PRINCIPLE 4: BOARD MEMBERSHIP

The NC is chaired by Mr Teo Ser Luck (the Lead ID), and its members comprise Mr Zhong Sheng Jian and Mr David Wong Cheong Fook. Except for Mr Zhong Sheng Jian, the other two (2) members are independent.

The NC meets at least once a year and more often if required. In FY 2018, the NC held three (3) meetings. Its primary functions are to:

- (i) review and make recommendations to the Board for the appointment of Directors and members to the Board Committees;
- (ii) determine annually whether or not a Director is independent and recommend the re-election of Directors to the Board as may be appropriate;
- (iii) assess the effectiveness of the Board as a whole and the contribution by each individual Director to the effectiveness of the Board annually through a formal Board and individual Director evaluation exercise;
- (iv) decide whether or not a Director is able to and has been adequately carrying out his duties as a Director of the Company, especially for Directors with multiple board representations;
- (v) re-nominate a Director having regard to their contribution and performance (e.g. attendance, preparedness, participation and candour) and whether he is able to adequately discharge his duties, including, if applicable, as an Independent and Non-Executive Director;
- (vi) propose objective performance criteria to evaluate the Board's performance;
- (vii) review the succession plans for the Executive Chairman, the Group Managing Director and key management staff; and
- (viii) review the training and professional development programs for the Board.

The NC has put in place a formal and transparent process for the appointment of new Directors to the Board. This process involves identifying, reviewing and recommending potential candidates to the Board for consideration.

Directors who have identified suitable candidates submit the bio-data of such candidates to the NC for discussion and review. Generally, these candidates are identified through the business network of the Directors, and would be skilled in core competencies such as strategic planning and have business or management expertise as well as finance and industry knowledge.

If the NC considers the candidate to be suitable, the NC will then recommend its choice to the Board. Meetings with the Directors may be arranged to facilitate open discussion with such candidate. Upon appointment, the Company will send out a formal letter setting out the Director's roles and responsibilities and the new Director will then attend various briefings with the management.

In relation to (ii) above, Article 99 of the Constitution provides for one-third of the Company's Directors to retire by rotation every year, and this has been consistently adhered to. In addition, a new Director appointed by the Board will submit himself for re-election at the Annual General Meeting ("AGM") immediately following his appointment. Thereafter, he is subject to retirement under Article 99 of the Constitution.

The Directors who are seeking re-election at the forthcoming AGM on 30 April 2019 are set out in the Notice of AGM on pages 152 to 156 of this Annual Report.

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The key information on the Directors is set out below:

Name of Director	Position	Date of appointment/ last re-election	Present directorships in other listed companies	Past directorships held over the preceding three (3) years in other listed companies	Other principal commitments
Zhong Sheng Jian	Executive Chairman and Non- Independent and Executive Director	12 September 2017 / 26 April 2018	<ul style="list-style-type: none"> • Yanlord Land Group Limited 	Nil	Nil
Teo Ser Luck	Lead Independent and Non- Executive Director	19 September 2017 / 26 April 2018	<ul style="list-style-type: none"> • Serial System Ltd • BRC Asia Limited 	Nil	<ul style="list-style-type: none"> • Elected Member of Parliament of Singapore • Chairman of Nufin Data Pte. Ltd. • Director of F4U Pte. Ltd. • Director of Helicap Pte. Ltd. • Director of Nufund Pte. Ltd. • Director of Vicduo Tech Pte. Ltd. • Adviser of Institute of Singapore Chartered Accountants • Adviser of Singapore FinTech Association
Lee Suan Hiang	Independent and Non- Executive Director	19 September 2017 / 26 April 2018	<ul style="list-style-type: none"> • Anacle Systems Limited • CITIC Envirotech Ltd. • Perennial Real Estate Holdings Limited • Viking Offshore and Marine Limited • MindChamps PreSchool Limited 	<ul style="list-style-type: none"> • Advance SCT Limited • Memstar Technology Ltd. 	<ul style="list-style-type: none"> • Chairman and Director of Global Culture Alliance Ltd • Director of Singapore Institute of Directors • President of Economic Development Board Society

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Name of Director	Position	Date of appointment/ last re-election	Present directorships in other listed companies	Past directorships held over the preceding three (3) years in other listed companies	Other principal commitments
David Wong Cheong Fook	Independent and Non- Executive Director	1 January 2011 / 26 April 2018	<ul style="list-style-type: none"> • PEC Ltd. 	Nil	<ul style="list-style-type: none"> • Chairman of Republic Polytechnic
Pua Seck Guan	Non- Independent and Non- Executive Director	12 September 2017 / 26 April 2018	<ul style="list-style-type: none"> • Perennial Real Estate Holdings Limited • Wilmar International Limited 	Nil	<ul style="list-style-type: none"> • Chief Executive Officer and Executive Director of Perennial Real Estate Holdings Limited • Chief Operating Officer and Executive Director of Wilmar International Limited • Member of Consultative Committee of National University of Singapore – Department of Real Estate • Member of Singapore-China Business Council of Singapore Business Federation • Member of Singapore-Sichuan Trade and Investment Committee
Tan Chee Keong Roy	Group Managing Director and Non- Independent and Executive Director	19 October 2017 / 26 April 2018	Nil	<ul style="list-style-type: none"> • MFS Technology Ltd (Dissolved) • Multi-Fineline Electronix, Inc. (Delisted) 	Nil

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PRINCIPLE 5: BOARD PERFORMANCE

The NC has implemented a formal Board and individual Director evaluation exercise. The Board evaluation process takes into account various criteria, including Board structure, strategy and performance, governance, Board function and team dynamics (Board procedures, succession planning and standards of conduct). The individual Director evaluation process has the following performance criteria: Directors' duties, communication skills, strategy and risk management, Board contribution, specialist knowledge and ethics/values. The individual Director evaluation also takes into account the contributions of each Director and his commitment in terms of time and effort spent on the Company's matters. The evaluation and feedback are then consolidated and presented to the Board for discussion on areas of strengths and weaknesses to improve the effectiveness of the Board and Board Committees.

As the Company is classified as being multi-industry, there are no directly relevant comparisons that it can undertake *vis-à-vis* its industry peers. The performance criteria do not change from year to year unless circumstances deem it necessary, and a decision to change any of the performance criteria will be justified by the Board.

No external facilitator was used for the formal Board and individual Director evaluation exercise.

PRINCIPLE 6: ACCESS TO INFORMATION

All Directors have direct and independent access to the Company Secretary and the management. The Company Secretary, under the direction of the Chairman, is responsible for ensuring good information flow within the Board and the Board Committees, and between the management and the Non-Executive Directors. She also advises the Board on all governance matters, as well as facilitating orientation, and assisting with professional development of the Board as required. The Company Secretary attends all Board meetings and is also responsible for ensuring that the Board's procedures and applicable rules and regulations are complied with. The appointment and removal of the Company Secretary has to be deliberated on and decided by the Board as a whole.

For purpose of best practices, the Board and the Board Committee meetings are usually scheduled one (1) year in advance to facilitate the Directors' individual schedules. Board papers and briefing notes including management accounts and commentaries on the Group's performance are usually submitted at least three (3) working days in advance.

Directors are also regularly updated by the management on the developments within the Group and supplied with such other information so that they are equipped to fulfil their duties properly. Directors may also request from the management such other additional information as they may consider necessary to be provided, and the management shall provide the same in a timely manner.

Internal guidelines have been adopted to ensure that the Directors may consult with professional advisors, costs of which are borne by the Company, as may be necessary to assist them in discharging their duties.

REMUNERATION MATTERS

PRINCIPLE 7: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

PRINCIPLE 8: LEVEL AND MIX OF REMUNERATION

PRINCIPLE 9: DISCLOSURE ON REMUNERATION

The RC is chaired by Mr Lee Suan Hiang, and its members comprise Mr Pua Seck Guan and Mr Teo Ser Luck. Except for Mr Pua Seck Guan, the other two (2) members are independent. All RC members are Non-Executive Directors, and have adequate knowledge of compensation matters. The RC has been formed and its powers, functions and duties are guided by its terms of reference.

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The RC meets at least once a year and more often if required. In FY 2018, the RC held two (2) meetings and its primary functions are to:

- (i) evaluate and propose payment of Directors' fees for the approval of members in shareholders' meeting; and
- (ii) review and recommend to the Board a framework of remuneration and specific remuneration packages for Directors and key management staff, including the Executive Chairman and the Group Managing Director. The framework takes into account all aspects of executive's remuneration including salaries, allowances, bonuses, options and benefits in kind. The RC benchmarks the framework against pay and employment conditions within the industry and structures the same so as to link rewards to corporate and individual performance.

The RC has direct and independent access to the Head of Group Human Resources, who attends all RC meetings. The RC also has access to independent and objective expert advice inside and/or outside the Group, if necessary, on remuneration of all Directors. No remuneration consultant was appointed by the RC in FY 2018.

The Group has in place contracts of service for each of its Executive Directors and key management staff which contain fair remuneration packages which do not reward poor performance, and fair and reasonable termination clauses. The performance-related elements of the remuneration package are designed to align the executive's interests with those of shareholders and promote the long-term success of the Group while taking into account the risk policies of the Group, be symmetric with risk outcomes and be sensitive to time horizon risks. An executive's performance is assessed based on a set of performance criteria which includes, *inter alia*, the Group's financial performance, and the executive's quality of work and diligence.

The RC is of the view that the remuneration of Non-Executive Directors is appropriate to their level of contribution, taking into account factors such as effort and time spent, and responsibilities of the Directors, and that Independent and Non-Executive Directors are not over-compensated to the extent that their independence may be compromised.

In FY 2018, there were no termination, retirement and post-employment benefits that may be granted to Directors (including the Executive Chairman and the Group Managing Director) and the top five (5) key management staff.

The Company does not employ any immediate family member of the Directors, the Executive Chairman or the Group Managing Director.

Directors' fees are proposed in accordance with a framework comprising basic fees and additional fees for other duties or serving on specialised committees. The Directors' fees for FY 2018 set out below are subject to the shareholders' approval at the forthcoming AGM.

Directors' Remuneration

Name of Director	Directors' fees \$	Salary \$	Bonus \$	Other benefits \$	Total \$
Mr Zhong Sheng Jian	55,000	1	-	-	55,001
Mr Teo Ser Luck	92,500	-	-	-	92,500
Mr Lee Suan Hiang	77,500	-	-	-	77,500
Mr David Wong Cheong Fook	85,000	-	-	-	85,000
Mr Pua Seck Guan	55,000	-	-	-	55,000
Mr Tan Chee Keong Roy	-	456,000	604,000	49,607	1,109,607

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Top Five (5) Key Management Staff Remuneration

The Company adopts a remuneration policy for staff comprising fixed and variable components in the form of base salary and variable bonus that are linked to the performance of the Company and the individual. Remuneration packages and revisions of key management staff's remuneration are subject to the review and approval of the RC.

Given the highly competitive industry conditions and in the interest of maintaining good morale and a strong spirit of teamwork within the Group, the disclosure relating to the remuneration of the top five (5) key management staff of the Group (who are not Directors) has been made in bands of \$250,000. For more information on the aggregate total remuneration paid to all key management staff (including the top five (5) key management staff), please refer to Note 31 in the Notes to the Financial Statements on pages 129 and 130 of this Annual Report.

<u>Remuneration Bands</u>	<u>No. of Executives</u>
\$250,000 - \$500,000	2
\$500,001 - \$750,000	2
\$750,001 - \$1,000,000	1

ACCOUNTABILITY AND AUDIT

PRINCIPLE 10: ACCOUNTABILITY

On a regular basis, the management prepares and submits proposals and financial reports for the Board's consideration, setting out the background, explanatory information and their recommendations to enable the Board to make a balanced and informed assessment of the Group's performance, position and prospects. These are supported with disclosure documents, budgets, forecasts and monthly internal financial statements. Any material variance between the budgets and actual results will be disclosed and explained to the Board.

To promote shareholders' confidence and to comply with the SGX-ST regulatory requirements, the Company releases announcements, including its quarterly and full-year financial results through SGXNET for market dissemination. These provide the shareholders, members of the public as well as investors a balanced and informed assessment of the Group's performance, position and prospects.

The Board has also taken steps to ensure compliance with legislative and regulatory requirements, including requirements under the Listing Manual of the SGX-ST.

PRINCIPLE 11: RISK MANAGEMENT AND INTERNAL CONTROLS

Enterprise Risk Management ("ERM") forms part of ARC's scope and responsibilities. Supported by the Group Managing Director and other senior executives of the Group, the ARC performs an oversight role in the formulation, implementation and maintenance of an adequate and effective ERM framework and internal control mechanism. During the year, the ARC held two (2) meetings to specifically review and discuss issues relating to ERM matters.

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

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

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reviews the effectiveness of the actions taken by the management on the recommendations made by the internal and external auditors in this respect.

The Group's ERM framework comprises a comprehensive set of management systems, organisational structures, policies, processes and internal control standards adopted by the Group in conducting its business and delivering returns for shareholders.

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

The Group's ERM framework is based on ISO 31000 and focuses on four (4) dimensions of (i) commitment and mandate, (ii) structure and accountability, (iii) communication and training, and (iv) review and improvement. This is to ensure that strategic and operational objectives are achieved, reporting is reliable, all relevant laws and regulations are complied with, a responsible corporate governance that facilitates the Board and the Board Committees in exercising risk oversight on the various risks faced by the Group, and an internal control system is being implemented for controlling the various risks throughout the year.

The Company maintains a Risk Register setting out the key risks and the implemented internal controls to manage and mitigate those risks. The ARC and the Board review the Risk Register annually. The adequacy and effectiveness of the risk management and internal control systems is reviewed by the ARC periodically. The Board has received written assurance from the Group Managing Director and the Group Financial Controller that:

- (i) the financial records of the Group have been properly maintained and the financial statements for FY 2018 give a true and fair view of the Group's operations and finances; and
- (ii) the system of risk management and internal controls in place within the Group is adequate and effective in addressing material risks faced by the Group in its current business environment, including material financial, operational, compliance and information technology risks.

Based on the Group's ERM framework, internal control system established and maintained by the Group, work performed by the internal auditor, statutory audit conducted by the external auditor, and reviews performed by the management, various Board Committees and the Board, the Board is of the opinion with the concurrence of the ARC that the Group's internal controls addressing financial, operational, information technology and compliance risks are adequate and effective.

The system of internal controls and ERM framework established by the Group provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. The Board, however, notes that no system of internal controls and ERM framework can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision making, human errors, losses, fraud or other irregularities.

PRINCIPLE 12: AUDIT & RISK COMMITTEE

The ARC is chaired by Mr David Wong Cheong Fook, and its members comprise Mr Teo Ser Luck and Mr Lee Suan Hiang. All ARC members, including the Chairman of the ARC, are Independent and Non-Executive Directors. Most of the ARC members are actively involved in various other commercial organisations, and have related financial management experience. The NC is of the view that the ARC members have sufficient financial management expertise and experience to discharge the ARC's functions.

The ARC meets at least four (4) times a year. In FY 2018, ARC held six (6) meetings and its primary functions are to:

- (i) review the scope and results of the statutory audit, its cost effectiveness and the independence and objectivity of the external auditor;

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- (ii) review the nature and extent of the external auditor's non-audit services to the Group, seeking to balance the maintenance of objectivity and value from the services provided;
- (iii) review the quarterly, half-yearly and full-year financial statements of the Group prior to their submission to the Board;
- (iv) review the significant financial reporting issues and judgements made by the management so as to ensure the integrity of the financial statements of the Group and any formal announcements relating to the financial performance of the Group;
- (v) review IPTs to ensure compliance with the Listing Manual of the SGX-ST;
- (vi) review the adequacy of the Group's internal financial controls, operational and compliance controls, information technology controls and risk management policies and systems (collectively, "internal controls");
- (vii) review the effectiveness of the Group's internal controls, internal audit plan and function;
- (viii) make recommendations to the Board on the appointment and re-appointment of both the external and internal auditors, and approve the remuneration and terms of engagement thereof;
- (ix) review the assessment and monitoring of all risks associated with the investments and operations of the Group;
- (x) review the effectiveness of internal compliance and control systems and procedures to manage risk, and recommend to the Board an appropriate risk management strategy and policy framework; and
- (xi) consider and report to the Board on any material changes to the risk profile of the Group.

The ARC has full access to and co-operation from the management, and has the discretion to invite any Director or executive to attend its meetings where necessary. The ARC also has explicit power to investigate any matter brought to its attention within its terms of reference, and will be granted reasonable resources to enable it to discharge its functions properly, including seeking external professional advice.

The Group has put in place, and the ARC has endorsed, arrangements by which staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The objective for such arrangements is to ensure independent investigation and appropriate follow-up actions on such matters. The arrangements provide for investigation to be undertaken by the Group Internal Audit Department and will be channelled to the ARC where appropriate.

The ARC met with the external auditor to discuss the results of their examinations and matters relating to internal financial controls which came to their attention during the course of their statutory audit and related recommendations for improvements. In addition, updates on changes in accounting standards and treatment are prepared by the external auditor and circulated to the ARC members periodically for their information. The ARC meets with the internal and external auditors of the Company, without the presence of management, at least once a year. The following significant matters impacting the financial statements were discussed with the management and the external auditor and were reviewed by the ARC. Following the review and discussions, the ARC recommended to the Board to approve the full-year financial statements.

Key issues	Matters considered
<p>Fair value of the investment properties of the Group which amounted to \$1,928 million as at 31 December 2018.</p>	<p>The valuation methodology and techniques used by independent external valuation specialists including the key assumptions, market data and estimates on which they are based.</p> <p>The external auditor has included this item as a key audit matter in its audit report for FY 2018. Refer to pages 53 and 54 of this Annual Report. Based on their independent assessment, the external auditor considered the methodology and assumptions used by management to be appropriate.</p>

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Key issues	Matters considered
<p>Net realisable value of development properties held for sale which amounted to \$960 million as at 31 December 2018.</p>	<p>The recoverable amounts taking into consideration the current market price, the estimated selling price, the costs incurred to date, the development status and cost to complete the development.</p> <p>When valuation is being relied upon, the valuation methodology and techniques used by independent external valuation specialists including the key assumptions, market data, and estimates on which they are based.</p> <p>The external auditor has included this item as a key audit matter in its audit report for FY 2018. Refer to page 54 of this Annual Report. Based on their independent assessment, the external auditor considered the methodology and assumptions used by management to be appropriate.</p>
<p>Adequacy of provision in relation to the sale of <i>UE BizHub EAST</i> which amounted to \$24 million as at 31 December 2018.</p>	<p>The assessment of the present obligations under the contract including the key assumptions, market data and estimates on which they are based.</p> <p>The external auditor has included this item as a key audit matter in its audit report for FY 2018. Refer to pages 54 and 55 of this Annual Report. Based on the work performed, the external auditor considered the assumptions used by management to be appropriate.</p>

The ARC confirms that it has undertaken a review of all non-audit services provided by Ernst & Young LLP and is satisfied that the nature and extent of such services would not, in the ARC's opinion, affect the independence of Ernst & Young LLP as external auditor of the Company. The breakdown of their fees for audit and non-audit services is found on Note 8 in the Notes to the Financial Statements on page 96 of this Annual Report. The ARC noted that no former partner of Ernst & Young LLP has acted as member of the ARC within a period of 12 months commencing on the date of his ceasing to be a partner of Ernst & Young LLP.

Accordingly, the ARC has also recommended the re-appointment of Ernst & Young LLP as external auditor of the Company. The ARC is satisfied that the Group has complied with Rule 712 and Rule 715 of the Listing Manual of the SGX-ST in relation to the appointment of auditing firms.

The ARC has the authority to seek any information it requires from any staff of the Group. They make recommendations to the Board but shall have no executive powers in relation to the findings and recommendations. The ARC shall make recommendations to take such independent professional advice as it deems necessary.

PRINCIPLE 13: INTERNAL AUDIT

Internal audits are performed in accordance with the risk-based audit plan approved by the ARC. The internal audit work was performed by the in-house Group Internal Audit Department with assistance from an outsourced internal auditor, namely, BDO LLP, which is an international accounting firm. The Group Internal Audit Department and BDO LLP report directly to the Chairman of the ARC, and administratively to the Group Financial Controller. They have unfettered access to all the Group's

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documents, records, properties and staff, including access to the ARC. The internal audit plan focused on the adequacy and effectiveness of the risk management and internal controls. All internal audit findings and recommendations are reviewed by the ARC, and the management will take the appropriate actions to improve the internal controls and mitigate the risk. The ARC is satisfied that there are adequate controls and measures within the Group, and will continue to review the same on an annual basis. The ARC is of the view that the internal audit function is independent, effective and adequately resourced.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

PRINCIPLE 14: SHAREHOLDER RIGHTS

PRINCIPLE 15: COMMUNICATION WITH SHAREHOLDERS

PRINCIPLE 16: CONDUCT OF SHAREHOLDERS' MEETINGS

The Company treats all its shareholders fairly and equitably and keeps them abreast of its corporate actions, including changes in the Company or its business that would likely and materially affect the price or value of its shares, in a timely and consistent manner. It does not practise selective disclosure as all price-sensitive information is released through SGXNET for market dissemination. In the event that inadvertent disclosure is made to a selected group, the Company will make the same disclosure publicly to all shareholders as soon as practicable. The Group strives to provide a balanced and understandable assessment of its performance and financial effects when disseminating financial and other price-sensitive public reports. The shareholders who sign up for email alert services will receive such disclosure via email.

The Group announced its financial results together with the requisite commentaries on a quarterly basis via SGXNET, and also posted the same on its website (www.uel.sg) as well as financial portal (www.shareinvestor.com). A summary of the activities and performance of the Group is recorded each year in the Annual Report which is distributed to all shareholders and business associates of the Group. In addition, major events such as the award of large or significant contracts, major acquisition or divestment of assets and other newsworthy events, had been featured in various press releases and other publications. Investors and members of the public may also access the Group's website (www.uel.sg) for more information.

At shareholders' meetings, the Company ensures that shareholders have the opportunity to participate effectively in and vote at such meetings. Shareholders are briefed on the rules, including voting procedures, that govern such meetings. The Constitution provides appropriate provisions to allow shareholders to vote in person or *in absentia* through proxies. The Board also encourages shareholders to participate at shareholders' meeting which give shareholders the opportunity to communicate their views as well as raise any concerns they might have on various matters affecting the Group.

Each item of special business included in the notice of the meeting will be accompanied by a full explanation of the effects of a proposed resolution. Separate resolutions are proposed for substantially separate issues at shareholders' meetings.

The Company has implemented electronic poll voting at shareholders' meetings. Through this voting method, shareholders are able to vote on each of the resolutions by poll, using an electronic voting system, thereby allowing shareholders to vote on a one-share-one-vote basis. The results of each resolution, including the number of votes for or against each resolution, are instantaneously screened at the meeting and announced to the SGX-ST after the meeting.

Minutes of shareholders' meetings are recorded and are available for shareholders' inspection upon their request. Minutes of shareholders' meetings include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting, and responses from the Board and the management.

All Directors, including the Chairman of each Board Committee, are present and available to address questions at shareholders' meetings. The external auditor is also present to address shareholders' queries on the conduct of statutory audit and the preparation and content of the auditor's report.

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DIVIDEND POLICY

While the Company has not formally instituted a dividend policy, it has a good track record of paying annual dividends to shareholders. In proposing any dividend payout and/or determining the form, frequency and/or the amount of such dividend payout, the Board will take into account, *inter alia*, the Group's financial position, retained earnings, results of operation and cash flows, the Group's expected working capital requirements and capital expenditure, future expansion and investment plans, funding requirements, general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group.

Not having a fixed dividend policy gives the Company flexibility to manage its available cash and working capital, and in particular, retain profits for future investment as part of the Company's efforts to achieve long-term growth for the benefit of shareholders. The Board strives to maintain a balance between meeting shareholders' expectations and prudent capital management with a sustainable dividend payout.

INTERESTED PERSON TRANSACTIONS

The Company maintains a register of the Group's IPTs in accordance with the reporting requirements stipulated by Chapter 9 of the Listing Manual of the SGX-ST.

The Company did not obtain a general mandate from shareholders for IPTs.

The Group confirms that there were no IPTs with a value of \$100,000 or more entered into during the financial year under review.

DEALINGS IN SECURITIES

The internal code of Best Practices for Dealings in Securities (the "Best Practices") of the Group has been issued to its Directors and officers for compliance. In compliance with Rule 1207(19) of the Listing Manual of the SGX-ST, Directors and officers of the Group are not permitted to deal with the listed securities of the Group during the period commencing two (2) weeks before the release of the Group's financial results for the first three (3) quarters, and one (1) month before the release of the Group's full-year financial results.

The Company, Directors and officers are also prohibited from dealing with the listed securities of the Group while in possession of unpublished price-sensitive information. In addition, they are expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period.

The Directors and officers are also discouraged from dealing in listed securities of the Group on short-term considerations.

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