UNITED ENGINEERS LIMITED
(Company Registration No. 191200018G)

Q1 2008 Financial Statement Announcement

Part I – INFORMATION REQUIRED FOR ANNOUNCEMENT OF Q1 RESULTS

These figures have not been audited.

1(a)(i) Income Statement for the first quarter ended:

	Group		
	31/3/2008	31/3/2007	Change
	$000	$000	%
Revenue*	**133,598**	123,109	9
Cost of Sales	**(105,172)**	(99,431)	6
Gross Profit	**28,426**	23,678	20
Other Items of Income			
Interest Income	**536**	418	28
Other Income	**588**	12,509	(95)
Other Items of Expense			
Distribution Costs	**(2,308)**	(2,136)	8
Administrative Expenses	**(15,210)**	(14,595)	4
Finance Costs	**(2,752)**	(4,916)	(44)
Other Expenses	**(13,815)**	(2,471)	459
Operating (Loss)/Profit	**(4,535)**	12,487	NM
Share of (Loss)/Profit from Equity-Accounted Associates	**(648)**	2,762	NM
(Loss)/Profit Before Tax	**(5,183)**	15,249	NM
Income Tax Expense	**3,206**	(1,984)	NM
(Loss)/Profit Net of Tax	**(1,977)**	13,265	NM
Profit Attributable to Equity Holders of Parent, Net of Tax	**1,223**	11,842	(90)
(Loss)/Profit Attributable to Minority Interest, Net of Tax	**(3,200)**	1,423	NM
	(1,977)	13,265	NM
Earnings per Stock Unit (cents)			
Earnings per Stock (Basic)	**0.5¢**	5.4¢	
Earnings per Stock (Diluted)	**0.5¢**	5.4¢	
* Revenue comprises:			
Sales of goods	**16,026**	6,411	150
Rendering of services	**21,497**	18,792	14
Revenue from construction contracts	**79,892**	84,773	(6)
Rental income	**15,872**	12,828	24
Dividend income	**311**	305	2
Total revenue	**133,598**	123,109	9

NM: Not meaningful

1(a)(ii) Other information:

Depreciation and amortisation	**(1,923)**	(1,690)
Foreign exchange loss	**(1,404)**	(377)
(Loss)/gain on held for trading investments	**(2,859)**	9,136
Impairment loss on assets and disposal groups held for sale under FRS 105 **	**(4,364)**	–
Surplus on revaluation of investment properties	–	2,995

** Net of minority interest's share

1(b)(i) Balance Sheets

	Group		Company	
	31/3/2008	31/12/2007	**31/3/2008**	31/12/2007
	$000	$000	**$000**	$000
ASSETS				
Non-Current Assets				
Property, Plant and Equipment	**44,406**	53,012	**1,567**	1,730
Investment Properties	**678,857**	687,027	**636,000**	636,000
Intangible Assets	**10,967**	2,465	**–**	–
Investments in Subsidiaries	**–**	–	**383,766**	367,818
Investments in Associates	**71,537**	47,962	**315**	315
Investment in Joint Venture	**7,656**	7,592	**–**	–
Deferred Tax Assets	**1,015**	529	**–**	–
Other Investments	**8,742**	8,783	**5,102**	4,903
Development Properties	**157,998**	72,029	**–**	–
Total Non-Current Assets	**981,178**	879,399	**1,026,750**	1,010,766
Current Assets				
Assets and Disposal Groups Held for Sale under FRS 105	**177,398**	185,388	**–**	–
Inventories	**10,764**	9,459	**–**	–
Income Tax Receivables	**9,488**	15,468	**–**	–
Trade and Other Receivables	**195,061**	222,289	**16,058**	14,164
Gross Amount due from Customers for Contract Work	**55,536**	71,216	**–**	–
Short-Term Investments	**18,847**	29,821	**–**	–
Properties Held for Sale	**209,528**	63,942	**–**	–
Cash and Cash Equivalents	**143,497**	187,498	**15,807**	14,279
Total Current Assets	**820,119**	785,081	**31,865**	28,443
Total Assets	**1,801,297**	1,664,480	**1,058,615**	1,039,209
EQUITY AND LIABILITIES				
Equity				
Share Capital	**226,163**	224,820	**226,163**	224,820
Retained Earnings	**534,655**	533,432	**440,014**	436,573
Other Reserves	**22,473**	24,697	**7,524**	6,761
Equity, Attributable to Equity Holders of the Parent	**783,291**	782,949	**673,701**	668,154
Minority Interest	**70,995**	74,121	**–**	–
Total Equity	**854,286**	857,070	**673,701**	668,154
Non-Current Liabilities				
Deferred Tax Liabilities	**5,576**	6,035	**–**	–
Term Loans	**419,520**	345,950	**220,000**	220,000
Total Non-Current Liabilities	**425,096**	351,985	**220,000**	220,000
Current Liabilities				
Income Tax Payable	**4,618**	6,597	**2,911**	4,424
Trade and Other Payables	**164,434**	210,746	**21,784**	24,548
Bank Borrowings	**17,331**	12,717	**–**	–
Gross Amount due to Customers for Contract Work	**27,326**	18,520	**–**	–
Term Loans	**308,206**	206,845	**140,219**	122,083
Total Current Liabilities	**521,915**	455,425	**164,914**	151,055
Total Liabilities	**947,011**	807,410	**384,914**	371,055
Total Equity and Liabilities	**1,801,297**	1,664,480	**1,058,615**	1,039,209

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

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

As at 31/3/2008		As at 31/12/2007	
$000	$000	$000	$000
Secured	Unsecured	Secured	Unsecured
–	325,537	87	219,475

(b) Amount repayable after one year

As at 31/3/2008		As at 31/12/2007	
$000	$000	$000	$000
Secured	Unsecured	Secured	Unsecured
199,520	220,000	125,950	220,000

(c) Details of any collaterals

Investment properties after revaluation amounting to $9,288,000 at 31 March 2008 (31 December 2007: $17,458,000) have been mortgaged to secure certain loan facilities to partially finance their developments. Property, plant and equipment and development properties with a total book value of $2,739,000 (31 December 2007: $2,715,000) and $75,088,000 (31 December 2007: $72,029,000) respectively have been mortgaged to secure borrowings and term loan facilities of certain subsidiaries. Properties held for sale amounting to $304,883,000 (31 December 2007: $157,176,000) have also been mortgaged to secure term loan facilities of a subsidiary.

1(c) Consolidated Cash Flow Statement

	Period Ended	
	31/3/2008	31/3/2007
	$000	$000
Cash Flows From Operating Activities		
(Loss)/Profit before Tax	**(5,183)**	15,249
Adjustments		
Depreciation of Property, Plant and Equipment	**1,736**	1,559
Interest Income	**(536)**	(417)
Finance Costs	**2,752**	4,916
Amortisation of Intangible Assets	**44**	131
Currency Realignment	**(499)**	(870)
Dividend Income from Investment Securities	**(311)**	(305)
Equity Share Options Issued	**563**	209
Gain on Disposal of Property, Plant and Equipment	**(125)**	(69)
Gain on Disposal of Investment Properties	**(433)**	-
Loss/(Gain) on Held for Trading Investments	**2,911**	(9,220)
Reversal of Impairment of Property, Plant and Equipment	**(5)**	-
Impairment of Assets and Disposal Groups Held for Sale under FRS 105	**7,990**	-
Share of Loss/(Profit) from Equity-Accounted Associates	**648**	(2,762)
Surplus on Revaluation of Investment Properties	**–**	(2,916)
Unrealised Exchange Loss	**1,204**	207
Operating Cash Flows before Changes in Working Capital	**10,756**	5,712

1(c) Consolidated Cash Flow Statement *(continued)*

	Period Ended	
	31/3/2008	31/3/2007
	$000	$000
Changes in Working Capital		
Properties Held for Sale		
- Development Expenditure	**(147,749)**	(3,743)
- Proceeds from Progress Billings	**2,163**	-
Decrease in Trade and Other Payables	**(42,452)**	(12,608)
Decrease in Trade and Other Receivables	**31,579**	35,845
Decrease in Gross Amount Due from Customers for Contract Work	**15,959**	3,256
Increase in Gross Amount Due to Customers for Contract Work	**8,806**	8,354
Increase in Inventories	**(1,378)**	(1,013)
Cash Flows (Used In)/From Operations	**(122,316)**	35,803
Income Taxes Refund/(Paid)	**230**	(125)
Finance Costs Paid	**(7,380)**	(7,896)
Interest Received	**1,777**	631
Net Cash Flows (Used In)/From Operating Activities	**(127,689)**	28,413
Cash Flows From Investing Activities		
Acquisition of Additional Share Capital in Subsidiary Company	-	(1,151)
Capital and Development Expenditure	**(88,469)**	(5,346)
(Increase)/Decrease in Amounts Due from Associates and Joint Venture	**(22,539)**	129
Increase in Loan to Joint Venture	-	(910)
Investment in Associate	**(200)**	-
Investment in Joint Venture	-	(500)
Dividends Received from Investment Securities	**311**	305
Proceeds from Repayment of Loan Receivable from Investee Company	**3,190**	-
Proceeds from Disposal of Property, Plant and Equipment	**1,429**	1,069
Proceeds from Disposal of Investment Properties	**8,344**	-
Net Cash Flows Used In Investing Activities	**(97,934)**	(6,404)
Cash Flows From Financing Activities		
Decrease in Secured Bank Borrowings	-	(146)
Increase in Short-Term Loans	**101,883**	16,825
Proceeds from Long-Term Loans	**110,100**	-
Repayment of Long-Term Loans	**(36,318)**	-
Share Options Exercised	**1,343**	1,868
Net Cash Flows From Financing Activities	**177,008**	18,547
Net (Decrease)/Increase in Cash and Cash Equivalents	**(48,615)**	40,556
Cash and Cash Equivalents, Cash Flow Statement, Beginning Balance	**176,189**	14,688
Cash and Cash Equivalents, Cash Flow Statement, Ending Balance	**127,574**	55,244

Notes:

(a) Cash and Cash Equivalents

Cash and Cash Equivalents comprise:		
Bank Balances and Deposits		
- Continuing Operations	**143,497**	87,956
- Assets and Disposal Groups Held for Sale under FRS 105	**1,408**	-
	144,905	87,956
Unsecured Bank Borrowings	**(17,331)**	(32,712)
Cash and Cash Equivalents	**127,574**	55,244

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

The Group

	Total Equity	Equity, Attributable to Equity Holders of the Parent, Total	Share Capital	Retained Earnings	AFS Reserve	Share Option Reserve	Translation Reserve	Minority Interest
		Attributable to Equity Holders of Parent						
	$000	$000	$000	$000	$000	$000	$000	$000
Opening Balance at 01/01/2008	857,070	782,949	224,820	533,432	31,408	2,441	(9,152)	74,121
Foreign Currency Translation Adjustments:								
- Subsidiaries and Associates Reserves	1,355	1,281	–	–	–	–	1,281	74
- Inter-Company Balances of a Long-Term Nature	(109)	(109)	–	–	–	–	(109)	–
Available-for-Sale (AFS) Investments:								
- Valuation Loss taken to Equity	(3,959)	(3,959)	–	–	(3,959)	–	–	–
Net Income and Expenses Recognised Directly in Equity	(2,713)	(2,787)	–	–	(3,959)	–	1,172	74
Profit/(Loss) for the Period	(1,977)	1,223	–	1,223	–	–	–	(3,200)
Total Recognised Income and Expenses for the Period	(4,690)	(1,564)	–	1,223	(3,959)	–	1,172	(3,126)
Ordinary Shares Issued on Exercise of Share Options Converted into Ordinary Stocks	1,343	1,343	1,343	–	–	–	–	–
Equity Share Options Issued	563	563	–	–	–	563	–	–
Closing Balance at 31/3/2008	854,286	783,291	226,163	534,655	27,449	3,004	(7,980)	70,995
Opening Balance at 01/01/2007	718,126	635,061	219,877	375,005	63,373	1,323	(24,517)	83,065
Foreign Currency Translation Adjustments:								
- Subsidiaries and Associates Reserves	(1,567)	(1,074)	–	–	–	–	(1,074)	(493)
- Inter-Company Balances of a Long-Term Nature	(332)	(332)	–	–	–	–	(332)	–
Available-for-Sale (AFS) Investments:								
- Valuation Loss taken to Equity	(18,521)	(18,521)	–	–	(18,521)	–	–	–
Net Expenses Recognised Directly in Equity	(20,420)	(19,927)	–	–	(18,521)	–	(1,406)	(493)
Profit for the Period	13,265	11,842	–	11,842	–	–	–	1,423
Total Recognised Income and Expenses for the Period	(7,155)	(8,085)	–	11,842	(18,521)	–	(1,406)	930
Ordinary Shares Issued on Exercise of Share Options Converted into Ordinary Stocks	1,868	1,868	1,868	–	–	–	–	–
Equity Share Options Issued	209	209	–	–	–	209	–	–
Movement in Minority Interests Arising from Increase in Shareholding of a Subsidiary	(239)	–	–	–	–	–	–	(239)
Closing Balance at 31/3/2007	712,809	629,053	221,745	386,847	44,852	1,532	(25,923)	83,756

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

The Company

	Total Equity	Share Capital	Retained Earnings	AFS Reserve	Share Option Reserve
	$000	$000	$000	$000	$000
Opening Balance at 01/01/2008	668,154	224,820	436,573	4,320	2,441
Available-for-Sale (AFS) Investments:					
- Valuation Gain taken to Equity	200	–	–	200	–
Net Income Recognised Directly in Equity	200	–	–	200	–
Profit for the Period	3,441	–	3,441	–	–
Total Recognised Income for the Period	3,641	–	3,441	200	–
Ordinary Shares Issued on Exercise of Share Options Converted into Ordinary Stocks	1,343	1,343	–	–	–
Equity Share Options Issued	563	–	–	–	563
Closing Balance at 31/3/2008	673,701	226,163	440,014	4,520	3,004
Opening Balance at 01/01/2007	477,246	219,877	251,726	4,320	1,323
Profit for the Period	811	–	811	–	–
Total Recognised Income for the Period	811	–	811	–	–
Ordinary Shares Issued on Exercise of Share Options Converted into Ordinary Stocks	1,868	1,868	–	–	–
Equity Share Options Issued	209	–	–	–	209
Closing Balance at 31/3/2007	480,134	221,745	252,537	4,320	1,532

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

During Q1 2008, the Company issued 753,900 ordinary shares upon the exercise of options granted under the United Engineers Share Option Scheme 2000 (Scheme 2000).

As at 31 March 2008, there were 6,566,700 (31 March 2007: 7,060,000) unexercised options for ordinary shares under Scheme 2000.

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

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

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

NA

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

Other than as mentioned in Paragraph 5 regarding the adoption of new Interpretations of Financial Reporting Standards (INT FRS), there were no further changes in accounting policies and methods of computation adopted in the financial statements of the current reporting period as compared to the most recently audited annual financial statements as at 31 December 2007.

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

Adoption of new INT FRS

INT FRS 112 – Service Concession Arrangements (effective for annual financial periods beginning on or after 1 January 2008)

INT FRS 112 requires the recognition of construction revenue and the corresponding financial receivable and/or intangible asset for public-to-private service concession arrangement if:

- the party that grants the service arrangement (the "grantor") controls or regulates what services the entity (the "operator") must provide with the infrastructure, to whom it must provide them, and at what price; and
- the grantor controls, through ownership, beneficial entitlement or otherwise, any significant residual interest in the infrastructure asset at the end of the term of arrangement.

The interpretation has no material impact on the financial position of the Group. The change in the accounting policy is applied prospectively.

6 Earnings per stock unit (cents)

	Period Ended	
	31/3/2008	31/3/2007
(a) Basic*:	**0.5¢**	5.4¢
(b) Diluted**:	**0.5¢**	5.4¢
(c) Weighted average number of stock units used in the computation of basic earnings per stock unit	**220,781,333**	217,769,613
(d) Weighted average number of stock units used in the computation of diluted earnings per stock unit	**223,137,003**	220,666,868

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

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

7 Net asset value per stock unit

	Group		Company	
	31/3/2008	31/12/2007	**31/3/2008**	31/12/2007
Net asset per ordinary stock unit based on the total number of issued shares (excluding treasury shares) of 221,001,333 (2007: 220,247,433)	**$3.54**	$3.55	**$3.05**	$3.03

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

Overview

The Group's core businesses comprise Engineering & Construction (E&C) and Integrated Facility Management (IFM) which includes property development activities.

For Q1 2008, Revenue increased by $10.5 million (9%) to $133.6 million from $123.1 million in Q1 2007. Gross Profit also rose by $4.7 million (20%) to $28.4 million and Gross Profit percentage went up to 21.3% compared to 19.2% for Q1 2007, mainly due to higher rental rates and partial recognition of income from the sale of the Group's condominium project, The Rochester, from the IFM Division.

Operating Profit was affected by fair value losses relating to the Group's short-term investments and carrying value of the Group's interest in Anhui Hefei United Power Generation Company Limited (AHUP). Other Income decreased by $11.9 million (95%) from $12.5 million in Q1 2007 to $0.6 million in Q1 2008 due to fair value gains from short-term investments which were recognised in Q1 2007. Other Expenses increased by $11.3 million (459%) to $13.8 million, compared to $2.5 million in Q1 2007. This arose from fair value losses of $2.9 million from short-term investments and $8.0 million ($4.4 million attributable to the Group, after minority interest) relating to the carrying value of AHUP. The proposed divestment of AHUP has been approved by shareholders at an Extraordinary General Meeting held on 25 April 2008 and is pending finalisation.

Finance Costs decreased from $4.9 million in Q1 2007 to $2.8 million due to lower interest rates in Q1 2008 and capitalisation of interest on development projects. The taxation credit in Q1 2008 arose primarily from group tax relief.

The Share of Results from Equity-Accounted Associates in Q1 2008 saw a loss of $0.6 million compared to a profit of $2.8 million in Q1 2007 because of the cessation of contribution from AHUP with effect from 1 December 2007 arising from the above-mentioned proposed divestment.

Attributable Profit

The Group's **attributable profit** decreased to $1.2 million (90%) compared to $11.8 million in Q1 2007. Excluding fair value adjustments, attributable profit for Q1 2008 is $8.4 million compared to $2.7 million in Q1 2007, which represents an increase of over 200% on a quarter-on-quarter basis.

The loss attributable to minority interest in Q1 2008 accrued mainly from its share of the fair value adjustment in the carrying value of AHUP.

Earnings per ordinary stock unit (EPS) decreased to 0.5 cents compared to 5.4 cents in Q1 2007.

Net asset per ordinary stock unit was $3.54 as at 31 March 2008 compared to $3.55 as at the end of 2007.

Segment Review

In the **Engineering & Construction (E&C) Division**, quarterly comparison of results is not meaningful as progress billings of job completion vary from project to project. Revenue decreased by $7.2 million (8%) to $88.6 million in Q1 2008 due to continued stringent job selection. The E&C Division recorded a fair value loss on short-term investments, resulting in an operating loss of $1.4 million, compared to a profit of $16.0 million in Q1 2007 (which included a fair value gain of $9.1 million).

The **Integrated Facility Management (IFM) Division** (including property development activities) increased its revenue by \$13.6 million (44%) to \$44.3 million in Q1 2008. This was mainly due to higher rental rates arising from the current hotel crunch and partial recognition of income from the sale of The Rochester. Arising from higher revenue, the IFM Division's profit before interest and tax grew \$4.2 million (111%) to \$8.1 million in Q1 2008.

Cash Flow and Balance Sheet Review

In Q1 2008, the Group obtained financing of \$200 million and incurred development expenditure of \$231 million on its projects at One-North, Ang Mo Kio Street 52, Balmoral Crescent and the Changi Business Park. The Group also extended a shareholder's loan of \$22 million to an associated company and received sale proceeds of \$8 million from divestment of investment properties. Apart from the above, the Group's components of cash flow and balance sheet and changes in these components from 31 December 2007 to 31 March 2008 were the results of the Group's normal ongoing operations.

Fusionopolis Industrial Accident

In April 2004, a section of the steel reinforcement cage of a raft foundation slab for the proposed basement construction for the Fusionopolis building collapsed. Greatearth-United Engineers Joint Venture (JV) is the appointed main contractor. The Ministry of Manpower had released its findings on 5 May 2005 and had filed charges against the JV and three of its officers. The JV pleaded guilty on 2 August 2006 to a single charge under section 33(1)(A) read with section 89(5) of the Factories Act. On 18 September 2006, the JV was fined \$160,000. On 3 February 2007, the JV's three officers were acquitted and cleared of all charges. As reported previously, there is a contingent liability for potential claims due to delays arising from the accident and other delaying events. It is not practicable to determine the financial impact of any possible claims by the client at this point in time.

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

NA

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

With an order book of \$1.1 billion, the Group will continue to execute several large building and infrastructure projects in Singapore and the region over the next quarter and 12 months. Continued pressure from the rising costs of building materials, energy and manpower resources will have an impact on the engineering and construction industry.

The rapidly developing economies of China, Middle East, Indonesia and Vietnam are expected to contribute to the region's strong demand for infrastructure development. There is also a growing global demand for quality potable water and an increasing emphasis on environmental related projects owing to tighter regulations and growing awareness of green issues, particularly in Asia.

11 Dividend

(a) Current Financial Period Reported on
Any dividend recommended for the current financial period reported on?

None.

(b) Corresponding Period of the Immediately Preceding Financial Year
Any dividend declared for the corresponding period of the immediately preceding financial year?

None.

(c) Date Payable

NA

(d) Books closure date

NA

12 <u>If no dividend has been declared/recommended, a statement to that effect</u>

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

BY ORDER OF THE BOARD
Jeslyn Heng Fook Pyng
Secretary
12 May 2008

Confirmation by the Board

We, Tan Ngiap Joo and Jackson Chevalier Yap Kit Siong, being two directors of United Engineers Limited (the "Company"), do hereby confirm on behalf of the directors of the Company that, to the best of their knowledge, nothing has come to the attention of the board of directors of the Company which may render the Q1 2008 financial results to be false or misleading.

On behalf of the Board,

TAN NGIAP JOO
Chairman

JACKSON CHEVALIER YAP KIT SIONG
Group Managing Director and
Chief Executive Officer