

UNITED ENGINEERS LIMITED
(Company Registration No. 191200018G)

Q1 2009 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		
	31/3/2009 \$000	31/3/2008 \$000	Change %
Revenue*	148,897	133,598	11
Cost of Sales	(114,939)	(105,172)	9
Gross Profit	<u>33,958</u>	28,426	19
<u>Other Items of Income</u>			
Interest Income	418	536	(22)
Other Income	1,038	588	77
<u>Other Items of Expense</u>			
Distribution Costs	(2,354)	(2,308)	2
Administrative Expenses	(16,712)	(15,210)	10
Finance Costs	(2,677)	(2,752)	(3)
Other Expenses	(3,973)	(13,815)	(71)
Operating Profit/(Loss)	<u>9,698</u>	(4,535)	NM
Share of Profit/(Loss) from Equity-Accounted Associates and Joint Ventures	366	(648)	NM
Profit/(Loss) Before Tax	<u>10,064</u>	(5,183)	NM
Income Tax (Expense)/Benefit	(1,184)	3,206	NM
Profit/(Loss) Net of Tax	<u>8,880</u>	(1,977)	NM
Profit Attributable to Equity Holders of Parent, Net of Tax	8,478	1,223	593
Profit/(Loss) Attributable to Minority Interest, Net of Tax	402	(3,200)	NM
	<u>8,880</u>	(1,977)	NM
Earnings per Stock Unit (cents)			
Earnings per Stock (Basic)	3.8¢	0.5¢	
Earnings per Stock (Diluted)	<u>2.7¢</u>	<u>0.5¢</u>	
* Revenue comprises:			
Sales of goods	7,288	8,026	(9)
Sales of residential apartments	30,852	8,000	286
Rendering of services	22,906	21,497	7
Revenue from construction contracts	70,797	79,892	(11)
Rental income	16,899	15,872	6
Dividend income	155	311	(50)
Total revenue	<u>148,897</u>	133,598	11

NM: Not meaningful

1(a)(ii) Other information:

	Group	
	31/3/2009 \$000	31/3/2008 \$000
Depreciation and amortisation	(2,208)	(1,780)
Foreign exchange loss	(1,209)	(1,404)
Impairment loss on available-for-sale investments	(155)	-
(Impairment)/reversal of loss on property, plant and equipment	(1,200)	5
Loss on held for trading investments	(3)	(2,911)
Reversal/(impairment) of assets and disposal groups held for sale under FRS 105	<u>604</u>	<u>(7,990)</u>

1(b)(i) Balance Sheets

	Group		Company	
	31/3/2009 \$000	31/12/2008 \$000	31/3/2009 \$000	31/12/2008 \$000
ASSETS				
Non-Current Assets				
Property, Plant and Equipment	41,987	43,417	1,172	1,359
Investment Properties	684,953	685,524	636,000	636,000
Intangible Assets	18,275	16,072	-	-
Investments in Subsidiaries	-	-	351,236	349,045
Investments in Associates	44,528	38,120	315	315
Investments in Joint Ventures	41,439	37,418	-	-
Deferred Tax Assets	1,161	1,354	-	-
Other Investments	8,767	8,856	5,194	5,217
Development Properties	191,295	184,834	-	-
Total Non-Current Assets	1,032,405	1,015,595	993,917	991,936
Current Assets				
Assets and Disposal Groups Held for Sale under FRS 105	-	187,215	-	-
Inventories	9,581	10,012	-	-
Income Tax Receivables	3,681	5,126	-	-
Trade and Other Receivables	288,259	200,216	4,742	22,259
Gross Amount due from Customers for Contract Work	41,424	50,876	-	-
Other Investments	8,445	8,604	-	-
Prepayments	3,622	3,710	68	35
Properties Held for Sale	211,554	197,484	-	-
Cash and Cash Equivalents	284,003	178,270	132,050	8,248
Total Current Assets	850,569	841,513	136,860	30,542
Total Assets	1,882,974	1,857,108	1,130,777	1,022,478

1(b)(i) Balance Sheets (continued):

	Group		Company	
	31/3/2009 \$000	31/12/2008 \$000	31/3/2009 \$000	31/12/2008 \$000
<u>EQUITY AND LIABILITIES</u>				
<u>Equity</u>				
Share Capital	227,330	227,320	227,330	227,320
Retained Earnings	525,722	517,244	434,690	428,282
Other Reserves	35,363	21,197	16,141	8,603
Equity, Attributable to Equity Holders of the Parent	788,415	765,761	678,161	664,205
Minority Interest	9,495	71,146	-	-
Total Equity	797,910	836,907	678,161	664,205
<u>Non-Current Liabilities</u>				
Deferred Tax Liabilities	12,541	10,097	2,512	-
Term Loans	437,449	442,624	318,414	220,000
Total Non-Current Liabilities	449,990	452,721	320,926	220,000
<u>Current Liabilities</u>				
Income Tax Payable	8,790	7,209	5,715	4,693
Trade and Other Payables	194,639	224,552	18,243	16,017
Provisions	3,601	4,056	-	-
Bank Borrowings	19,214	19,303	-	-
Gross Amount due to Customers for Contract Work	28,770	16,689	-	-
Term Loans	380,060	295,671	107,732	117,563
Total Current Liabilities	635,074	567,480	131,690	138,273
Total Liabilities	1,085,064	1,020,201	452,616	358,273
Total Equity and Liabilities	1,882,974	1,857,108	1,130,777	1,022,478

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 31/3/2009		As at 31/12/2008	
\$000	\$000	\$000	\$000
Secured	Unsecured	Secured	Unsecured
111,796	287,479	1,237	313,737

(b) Amount repayable after one year

As at 31/3/2009		As at 31/12/2008	
\$000	\$000	\$000	\$000
Secured	Unsecured	Secured	Unsecured
116,414	321,034	219,991	222,633

(c) Details of any collaterals

Investment properties after revaluation amounting to \$5,015,000 at 31 March 2009 (31 December 2008: \$5,313,000) 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 \$2,806,000 (31 December 2008: \$2,923,000) and \$103,331,000 (31 December 2008: \$97,355,000) respectively have been mortgaged to secure borrowings and term loan facilities of certain subsidiaries. Properties held for sale amounting to \$387,858,000 (31 December 2008: \$362,363,000) have also been mortgaged to secure term loan facilities of certain subsidiaries.

1(c) Consolidated Cash Flow Statement

	Period Ended	
	31/3/2009	31/3/2008
	\$000	\$000
<u>Cash Flows From Operating Activities</u>		
Profit/(Loss) before Tax	10,064	(5,183)
Adjustments		
Depreciation of Property, Plant and Equipment	2,110	1,736
Interest Income	(418)	(536)
Finance Costs	2,677	2,752
Amortisation of Intangible Assets	98	44
Currency Realignment	(828)	(499)
Dividend Income from Investment Securities	(155)	(311)
Equity Share Options Issued	-	563
Loss/(Gain) on Disposal of Property, Plant and Equipment	4	(125)
Gain on Disposal of Investment Properties	-	(433)
Loss on Held for Trading Investments	3	2,911
Impairment/(Reversal) of Loss on Property, Plant and Equipment	1,200	(5)
Impairment of Available-for-Sale Investments	155	-
(Reversal of)/Impairment of Assets and Disposal Groups Held for Sale under FRS 105	(604)	7,990
Inventories Written-Down	86	-
Share of (Profit)/Loss from Equity-Accounted Associates and Joint Ventures	(366)	648
Unrealised Exchange Loss	975	1,204
Operating Cash Flows before Changes in Working Capital	15,001	10,756
Changes in Working Capital		
Properties Held for Sale		
- Development Expenditure	(23,741)	(147,749)
- Proceeds from Progress Billings	9,671	2,163
Decrease in Trade and Other Payables and Provisions	(28,571)	(42,452)
Decrease in Trade and Other Receivables	37,446	31,579
Decrease in Gross Amount due from Customers for Contract Work	9,566	15,959
Increase in Gross Amount due to Customers for Contract Work	12,081	8,806
Decrease/(Increase) in Inventories	382	(1,378)
Cash Flows From/(Used In) Operations	31,835	(122,316)
Income Taxes Refund	293	230
Finance Costs Paid	(5,079)	(7,380)
Interest Received	430	1,777
Net Cash Flows From/(Used In) Operating Activities	27,479	(127,689)
<u>Cash Flows From Investing Activities</u>		
Acquisition of Intangible Assets	(949)	-
Capital and Development Expenditure	(8,527)	(88,469)
Increase in Amounts due from Associates and Joint Ventures	(743)	(22,539)
Increase in Loans to Joint Ventures	(3,670)	-
Investment in Associates	-	(200)
Dividends Received from Investment Securities	155	311
Proceeds from Repayment of Loan Receivable from Investee Company	-	3,190
Proceeds from Disposal of Property, Plant and Equipment	102	1,429
Proceeds from Disposal of Investment Properties	238	8,344
Net Cash Flows Used In Investing Activities	(13,394)	(97,934)

1(c) Consolidated Cash Flow Statement (continued)

	Period Ended	
	31/3/2009	31/3/2008
	\$000	\$000
Cash Flows From Financing Activities		
Increase in Trust Receipts and Bills Payable	1,695	1,051
(Decrease)/Increase in Short-Term Loans	(25,524)	101,883
Net Proceeds from Convertible Bonds	128,266	-
Proceeds from Long-Term Loans	7,598	110,100
Repayment of Long-Term Loans	(20,011)	(36,318)
Issuance of Shares Upon Exercise of Share Options	-	1,343
Net Cash Flows From Financing Activities	92,024	178,059
Net Increase/(Decrease) in Cash and Cash Equivalents	106,109	(47,564)
Cash and Cash Equivalents, Beginning Balance	164,576	181,060
Cash and Cash Equivalents, Ending Balance	270,685	133,496

Notes:

Cash and Cash Equivalents comprise:

Bank Balances and Deposits

- Continuing Operations

- Assets and Disposal Groups Held for Sale under FRS 105

284,003 143,497

- 1,408

284,003 144,905

Bank Overdrafts

(13,318) (11,409)

Cash and Cash Equivalents

270,685 133,496

1(d) Statements of Comprehensive Income for the first quarter ended:

	Group		Company	
	31/3/2009	31/3/2008	31/3/2009	31/3/2008
	\$000	\$000	\$000	\$000
Profit/(Loss) for the Period	8,880	(1,977)	6,408	3,441
Other Comprehensive Income/(Expense):				
Foreign Currency Translation Adjustments:				
- Subsidiaries and Associates Reserves	1,074	1,355	-	-
- Inter-Company Balances of a Long-Term Nature	66	(109)	-	-
Available-for-Sale (AFS) Investments:				
- Valuation Gain/(Loss) taken to Equity	6,143	(3,959)	(22)	200
Cash Flow Hedge:				
- Loss arising during the Period	(749)	-	-	-
Other Comprehensive Income/(Expense) for the Period, net of tax	6,534	(2,713)	(22)	200
Total Comprehensive Income/(Expense) for the Period	15,414	(4,690)	6,386	3,641
Total Comprehensive Income/(Expense) attributable to:				
Equity Holders of Parent	15,084	(1,564)	6,386	3,641
Minority Interests	330	(3,126)	-	-
	15,414	(4,690)	6,386	3,641

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

The Group	Attributable to Equity Holders of the Parent								
	Total Equity	Equity, Attributable to Equity Holders of the Parent, Total	Share Capital	Retained Earnings	AFS Reserve	Share Option Reserve	Translation Reserve	Other Reserves	Minority Interest
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Opening Balance at 01/01/2009	836,907	765,761	227,320	517,244	21,674	3,772	(4,249)	-	71,146
Total Comprehensive Income/(Expense) for the Period	15,414	15,084	-	8,478	6,143	-	1,212	(749)	330
Ordinary Shares Issued on Conversion of Convertible Bonds	10	10	10	-	-	-	-	-	-
Equity Portion of Convertible Bonds	7,560	7,560	-	-	-	-	-	7,560	-
Disposal of a Subsidiary	(61,981)	-	-	-	-	-	-	-	(61,981)
Closing Balance at 31/3/2009	<u>797,910</u>	<u>788,415</u>	<u>227,330</u>	<u>525,722</u>	<u>27,817</u>	<u>3,772</u>	<u>(3,037)</u>	<u>6,811</u>	<u>9,495</u>
Opening Balance at 01/01/2008	857,070	782,949	224,820	533,432	31,408	2,441	(9,152)	-	74,121
Total Comprehensive Income/(Expense) 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	<u>854,286</u>	<u>783,291</u>	<u>226,163</u>	<u>534,655</u>	<u>27,449</u>	<u>3,004</u>	<u>(7,980)</u>	<u>-</u>	<u>70,995</u>

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

The Company

	Total Equity	Share Capital	Retained Earnings	AFS Reserve	Share Option Reserve	Other Reserve
	\$000	\$000	\$000	\$000	\$000	\$000
Opening Balance at 01/01/2009	664,205	227,320	428,282	4,831	3,772	-
Total Comprehensive Income/(Expense) for the Period	6,386	-	6,408	(22)	-	-
Ordinary Shares Issued on Conversion of Convertible Bonds	10	10	-	-	-	-
Equity Portion of Convertible Bonds	7,560	-	-	-	-	7,560
Closing Balance at 31/3/2009	678,161	227,330	434,690	4,809	3,772	7,560
Opening Balance at 01/01/2008	668,154	224,820	436,573	4,320	2,441	-
Total Comprehensive 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	-

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

During Q1 2009, the Company issued 7,238 ordinary shares on conversion of \$9,700 convertible bonds since the date of issue and no option was exercised under the United Engineers Share Option Scheme 2000 (Scheme 2000).

As at 31 March 2009, there were 5,779,350 (31 March 2008: 6,566,700) unexercised options for ordinary shares under Scheme 2000 and \$132,964,899 convertible bonds which are convertible into 99,227,536 (31 March 2008: Nil) shares at the conversion price of \$1.34 per share.

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 Financial Reporting Standards (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 2008.

- 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 FRS (effective for annual financial periods beginning on or after 1 January 2009)

FRS 1 : Presentation of Financial Statements – Revised Presentation
 FRS 23 : Borrowing Costs
 FRS 102 : Share-based Payment – Vesting Conditions and Cancellations
 FRS 108 : Operating Segments

The adoption of the above FRS did not result in any substantial change to the Group's accounting policies nor any significant impact on the financial statements.

- 6 Earnings per stock unit (cents)

	Period Ended	
	31/3/2009	31/3/2008
(a) Basic*:	3.8¢	0.5¢
(b) Diluted**:	2.7¢	0.5¢
(c) Weighted average number of stock units used in the computation of basic earnings per stock unit	221,626,746	220,781,333
(d) Weighted average number of stock units used in the computation of diluted earnings per stock unit	<u>320,922,268</u>	<u>223,137,003</u>

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

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

- 7 Net asset value per stock unit

	Group		Company	
	31/3/2009	31/12/2008	31/3/2009	31/12/2008
Net asset per ordinary stock unit based on the total number of issued shares (excluding treasury shares) of 221,631,571 (2008: 221,624,333)	<u>\$3.56</u>	<u>\$3.46</u>	<u>\$3.06</u>	<u>\$3.00</u>

- 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.

Q1 2009 compared with Q1 2008 Performance

In Q1 2009, Revenue increased by \$15.3 million (11%) to \$148.9 million from \$133.6 million in Q1 2008 mainly due to the progressive recognition of revenue from the sales of residential projects, *The Rochester* at one-north and *Park Central @ AMK* at Ang Mo Kio. Arising from the increased revenue, Gross Profit rose by \$5.5 million (19%) to \$34.0 million in Q1 2009. Gross Profit Percentage improved to 22.8% compared with 21.3% in Q1 2008.

Other Expenses decreased by \$9.8 million (71%) from \$13.8 million in Q1 2008 to \$4.0 million mainly due to a fair value charge of \$8.0 million arising from the Group's then proposed disposal of its shareholding interest in Anhui Hefei United Power Generation Company Limited (AHUP) and fair value losses of \$2.9 million from short-term investments recognised in Q1 2008.

Finance Costs of \$2.7 million was comparable to \$2.8 million in Q1 2008.

The Share of Profit from Equity-Accounted Associates and Joint Ventures was \$0.4 million compared with the share of loss of \$0.6 million in Q1 2008.

Income Tax Expense was \$1.2 million compared with taxation credit of \$3.2 million in Q1 2008 which arose primarily from group tax relief.

Attributable Profit

Overall, the Group's **attributable profit** increased to \$8.5 million in Q1 2009 compared with \$1.2 million in Q1 2008.

Earnings per ordinary stock unit (EPS) was 3.8 cents compared with 0.5 cents in Q1 2008.

Net asset per ordinary stock unit stood at \$3.56 as at 31 March 2009 compared with \$3.46 as at 31 December 2008.

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 \$3.7 million (4%) to \$87.5 million in Q1 2009 mainly due to continued stringent job selection. Arising from the decreased revenue, gross margin decreased by \$0.4 million (4%) to \$8.9 million. The E&C Division recorded an operating loss of \$2.0 million mainly due to currency translation losses of \$2.2 million.

The **Integrated Facility Management (IFM) Division** (including property development) increased its revenue by \$25.6 million (61%) to \$67.4 million in Q1 2009. This was mainly due to the progressive recognition of revenue from the sales of *The Rochester* at *one-north* and *Park Central @ AMK* at Ang Mo Kio. Profit before interest and tax for the IFM Division increased by \$4.2 million (45%) to \$13.4 million in Q1 2009.

Cash Flow and Balance Sheet Review

In 2009, the Group incurred development expenditure of \$30 million for the *Vista Xchange* at one-north, *Park Central @ AMK* at Ang Mo Kio and *UE Biz Hub* at Changi Business Park. The Group also received net proceeds of \$128 million from the Rights Issue (as defined in the Company's Offer Information Statement dated 6 February 2009). Of this, \$20 million has been used to repay amounts outstanding under a 5-year committed revolving credit facility. Apart from the above, the Group's components of cash flow and balance sheet and changes in these components from 31 December 2008 to 31 March 2009 were the results of the Group's other ongoing operations.

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

NA

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

With an order book of \$741 million, the Group will continue to execute several large-scale building and infrastructure projects over the next 12 months. While these projects will keep the Group busy, the Group will face stiffer competition in replenishing its order books due to the challenging environment brought about by the economic slowdown in Singapore and the countries it operates in. Maintaining current gross margins will be a challenge although lower building material and energy costs are anticipated. Interest expense is expected to increase due to higher loan margins charged by banks as a result of the global credit crisis. The effect is expected to be mitigated by the renounceable underwritten Rights Issue of \$133 million due 2014.

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

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

BY ORDER OF THE BOARD
Jeslyn Heng Fook Pyng
Secretary
14 May 2009

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 2009 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