

Q1 2011 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		
	31/3/2011 \$000	31/3/2010 \$000	Change %
Revenue*	229,632	195,938	17
Cost of sales	(161,089)	(138,727)	16
Gross profit	68,543	57,211	20
<u>Other items of income</u>			
Interest income	466	769	(39)
Other income	705	3,534	(80)
<u>Other items of expense</u>			
Distribution costs	(2,899)	(2,655)	9
Administrative expenses	(17,878)	(17,463)	2
Finance costs	(1,238)	(1,170)	6
Other expenses	(7,822)	(2,479)	216
Operating profit	39,877	37,747	6
Share of profit from equity-accounted associates and joint ventures	972	778	25
Profit before tax	40,849	38,525	6
Income tax expense	(8,442)	(8,939)	(6)
Profit net of tax	32,407	29,586	10
Profit attributable to owners of the parent, net of tax	29,888	28,152	6
Profit attributable to non-controlling interests, net of tax	2,519	1,434	76
	32,407	29,586	10
Earnings per stock unit (cents)			
Earnings per stock (basic)	11.2¢	11.0¢	
Earnings per stock (diluted)	9.5¢	9.0¢	
* Revenue comprises:			
Sales of goods	7,086	4,622	53
Sales of properties held for sale	118,077	96,568	22
Rendering of services	22,713	22,409	1
Revenue from construction contracts	63,542	52,724	21
Rental income	17,984	19,562	(8)
Dividend income	230	53	334
Total revenue	229,632	195,938	17

1(a)(ii) Other information:

	Group	
	31/3/2011	31/3/2010
	\$000	\$000
Depreciation and amortisation	(2,463)	(2,245)
Foreign exchange (loss)/gain	(1,467)	3,150
Loss on held for trading investments	(838)	(200)
Reversal of impairment loss on property, plant and equipment	-	1,407
	-	1,407

1(a)(iii) Statement of comprehensive income for the first quarter ended:

	Group	
	31/3/2011	31/3/2010
	\$000	\$000
Profit net of tax for the period	32,407	29,586
Other comprehensive income		
Gains/(losses) on exchange differences on translation, net of tax	1,446	(138)
Losses on remeasuring available-for-sale financial assets, net of tax	(467)	(155)
Share of other comprehensive income from equity-accounted associates, net of tax	2,706	(4,391)
Gains on cash flow hedges, net of tax	181	30
Other comprehensive income for the period, net of tax	3,866	(4,654)
Total comprehensive income for the period	36,273	24,932
Total comprehensive income attributable to owners of the parent	33,544	23,760
Total comprehensive income attributable to non-controlling interests	2,729	1,172
	36,273	24,932

1(b)(i) Statements of financial position

	Group		Company	
	31/3/2011 \$000	31/12/2010 \$000	31/3/2011 \$000	31/12/2010 \$000
ASSETS				
Non-current assets				
Property, plant and equipment	71,413	72,434	29,123	28,809
Investment properties	1,083,320	1,057,395	665,900	665,000
Intangible assets	23,406	26,270	–	–
Investments in subsidiaries	–	–	344,551	356,830
Investments in associates	58,678	55,640	315	315
Investments in joint ventures	36,709	36,573	–	–
Deferred tax assets	687	687	–	–
Trade and other receivables	20,138	20,213	–	–
Other investments	6,802	6,786	6,701	6,686
Total non-current assets	1,301,153	1,275,998	1,046,590	1,057,640
Current assets				
Inventories	8,045	7,053	–	–
Income tax receivables	127	1,855	–	–
Trade and other receivables	149,083	149,915	37,708	34,321
Other investments	13,604	14,906	–	–
Gross amount due from customers for contract work	25,033	33,763	–	–
Prepayments	4,426	2,806	42	67
Properties held for sale	649,216	657,076	–	–
Bank balances and deposits	339,282	266,625	61,554	59,072
Total current assets	1,188,816	1,133,999	99,304	93,460
Total assets	2,489,969	2,409,997	1,145,894	1,151,100
EQUITY AND LIABILITIES				
Equity				
Share capital	284,567	273,902	284,567	273,902
Retained earnings	744,295	714,407	457,103	453,580
Other reserves	62,800	55,217	23,509	23,397
Equity attributable to owners of the parent	1,091,662	1,043,526	765,179	750,879
Non-controlling interests	31,254	403	–	–
Total equity	1,122,916	1,043,929	765,179	750,879
Non-current liabilities				
Deferred tax liabilities	48,185	44,601	1,149	1,442
Trade and other payables	17,210	13,607	–	–
Borrowings	311,084	472,294	68,325	74,222
Total non-current liabilities	376,479	530,502	69,474	75,664
Current liabilities				
Provisions	2,950	3,110	–	–
Income tax payable	27,079	26,149	12,081	12,310
Trade and other payables	303,101	311,633	19,590	19,434
Borrowings	624,314	468,090	279,570	292,813
Gross amount due to customers for contract work	33,130	26,584	–	–
Total current liabilities	990,574	835,566	311,241	324,557
Total liabilities	1,367,053	1,366,068	380,715	400,221
Total equity and liabilities	2,489,969	2,409,997	1,145,894	1,151,100

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 31/3/2011		As at 31/12/2010	
\$000	\$000	\$000	\$000
Secured	Unsecured	Secured	Unsecured
286,558	337,756	110,112	357,978

(b) Amount repayable after one year

As at 31/3/2011		As at 31/12/2010	
\$000	\$000	\$000	\$000
Secured	Unsecured	Secured	Unsecured
244,729	66,355	396,184	76,110

(c) Details of any collaterals

Property, plant and equipment and investment properties under construction with a total book value of \$2,230,000 (31 December 2010: \$2,301,000) and \$374,024,000 (31 December 2010: \$342,772,000) respectively have been mortgaged to secure borrowings and term loan facilities of certain subsidiaries. Properties held for sale amounting to \$1,051,201,000 (31 December 2010: \$1,001,525,000) have also been mortgaged to secure term loan facilities of certain subsidiaries. A term loan facility of the Company was secured by a first fixed charge of 100% shareholding in a wholly owned subsidiary, UE Orchard Pte Ltd as well as assignments of the shareholder's loans, insurances, development documents, project documents and bank accounts.

1(c) Statement of cash flows

	Period Ended	
	31/3/2011 \$000	31/3/2010 \$000
Cash flows from operating activities		
Profit before tax	40,849	38,525
Depreciation of property, plant and equipment	2,226	2,006
Interest income	(466)	(769)
Finance costs	1,238	1,170
Amortisation of intangible assets	237	239
Currency realignment	(1,946)	2,895
Dividend income from investment securities	(230)	(53)
Equity share options issued	-	76
Gain on disposal of property, plant and equipment	(84)	(212)
Loss on held for trading investments	838	200
Reversal of impairment loss on property, plant and equipment	-	(1,407)
Impairment loss on properties held for sale	1,129	-
Inventories written-down	9	10
Share of profit from equity-accounted associates and joint ventures	(972)	(778)
Unrealised exchange loss/(gain)	1,412	(2,414)
Operating cash flows before changes in working capital	44,240	39,488
Properties held for sale		
- Development expenditure	(48,046)	(61,897)
- Proceeds from progress billings	61,188	28,908
Decrease in trade and other payables and provisions	(3,227)	(1,455)
Decrease in trade and other receivables	4,569	15,647
Decrease in gross amount due from customers for contract work	9,051	9,814
Increase in gross amount due to customers for contract work	6,546	12,986
(Increase)/decrease in inventories	(1,050)	96
Cash flows from operations	73,271	43,587
Income taxes paid	(3,117)	(204)
Interest paid	(3,513)	(2,744)
Interest received	493	781
Net cash flows from operating activities	67,134	41,420
Cash flows from investing activities		
Acquisition of intangible assets	(386)	(1,540)
Capital and development expenditure	(34,848)	(47,308)
Decrease/(increase) in amounts due from associates and joint ventures	386	(732)
Increase in loans to joint ventures	-	(2,200)
Dividends received from investment securities	230	53
Proceeds from disposal of property, plant and equipment	931	3,965
Proceeds from disposal of investment properties	1,418	-
Net cash flows used in investing activities	(32,269)	(47,762)

1(c) Statement of cash flows (continued)

	Period Ended	
	31/3/2011	31/3/2010
	\$000	\$000
Cash flows from financing activities		
Increase/(decrease) in trust receipts and bills payable	930	(1,678)
Dividends paid to non-controlling interests of subsidiaries	–	(3,300)
Increase/(decrease) in short-term loans	599	(11,063)
Issuance of shares upon exercise of share options	320	–
Net proceeds from dilution of interests in subsidiaries	31,937	–
Proceeds from long-term loans	37,943	38,203
Repayment of long-term loans	(31,024)	(15,192)
Net cash flows from financing activities	40,705	6,970
Net increase in cash and cash equivalents	75,570	628
Cash and cash equivalents, beginning balance	252,989	307,885
Cash and cash equivalents, ending balance	328,559	308,513
Cash and cash equivalents comprise:		
Bank balances and deposits	339,282	319,647
Bank overdrafts	(10,723)	(11,134)
Cash and cash equivalents	328,559	308,513

1(d)(i) Statements of changes in equity

The Group

Attributable to owners of the parent

	Attributable to owners of the parent								
	Total equity	Equity attributable to owners of the parent	Share capital	Retained earnings	AFS reserve	Share option reserve	Translation reserve	Other reserves	Non-controlling interests
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Opening balance at 1/1/2011	1,043,929	1,043,526	273,902	714,407	42,354	4,081	(8,317)	17,099	403
Profit for the period	32,407	29,888	-	29,888	-	-	-	-	2,519
Other comprehensive income for the period	3,866	3,656	-	-	2,239	-	1,236	181	210
Total comprehensive income for the period	36,273	33,544	-	29,888	2,239	-	1,236	181	2,729
Contributions by and distributions to owners									
Ordinary shares issued on conversion of convertible bonds converted into ordinary stocks	10,345	10,345	10,345	-	-	-	-	-	-
Ordinary shares issued on exercise of share options converted into ordinary stocks	320	320	320	-	-	-	-	-	-
Equity portion of convertible bonds	112	112	-	-	-	-	-	112	-
Total contributions by and distributions to owners in their capacity as owners	10,777	10,777	10,665	-	-	-	-	112	-
Changes in ownership interests in subsidiaries									
Dilution of interests in subsidiaries	31,937	3,815	-	-	-	-	-	3,815	28,122
Total changes in ownership interests in subsidiaries	31,937	3,815	-	-	-	-	-	3,815	28,122
Total transactions with owners in their capacity as owners	42,714	14,592	10,665	-	-	-	-	3,927	28,122
Closing balance at 31/3/2011	1,122,916	1,091,662	284,567	744,295	44,593	4,081	(7,081)	21,207	31,254

1(d)(i) Statements of changes in equity (continued)

The Group	Attributable to owners of the parent								
		Equity attributable to owners	Share capital	Retained earnings	AFS reserve	Share option reserve	Translation reserve	Other reserves	Non- controlling interests
	Total equity \$000	of the parent \$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Opening balance at 1/1/2010	883,464	877,925	266,466	551,601	51,537	3,956	(8,830)	13,195	5,539
Profit for the period	29,586	28,152	-	28,152	-	-	-	-	1,434
Other comprehensive income for the period	(4,654)	(4,392)	-	-	(4,546)	-	124	30	(262)
Total comprehensive income for the period	24,932	23,760	-	28,152	(4,546)	-	124	30	1,172
Contributions by and distributions to owners									
Ordinary shares issued on conversion of convertible bonds converted into ordinary stocks	2,316	2,316	2,316	-	-	-	-	-	-
Equity share options issued	76	76	-	-	-	76	-	-	-
Dividends paid	(3,300)	-	-	-	-	-	-	-	(3,300)
Total transactions with owners in their capacity as owners	(908)	2,392	2,316	-	-	76	-	-	(3,300)
Closing balance at 31/3/2010	907,488	904,077	268,782	579,753	46,991	4,032	(8,706)	13,225	3,411

1(d)(i) Statements of changes in equity (continued)

The Company

	Total equity	Share capital	Retained earnings	AFS reserve	Share option reserve	Other reserves
	\$000	\$000	\$000	\$000	\$000	\$000
Opening balance at 1/1/2011	750,879	273,902	453,580	5,091	4,081	14,225
Profit for the period	3,523	-	3,523	-	-	-
Total comprehensive income for the period	3,523	-	3,523	-	-	-
Contributions by and distributions to owners						
Ordinary shares issued on conversion of convertible bonds converted into ordinary stocks	10,345	10,345	-	-	-	-
Ordinary shares issued on exercise of share options converted into ordinary stocks	320	320	-	-	-	-
Equity portion of convertible bonds	112	-	-	-	-	112
Total transactions with owners in their capacity as owners	10,777	10,665	-	-	-	112
Closing balance at 31/3/2011	765,179	284,567	457,103	5,091	4,081	14,337
Opening balance at 1/1/2010	704,146	266,466	414,326	5,279	3,956	14,119
Profit for the period	30,064	-	30,064	-	-	-
Total comprehensive income for the period	30,064	-	30,064	-	-	-
Contributions by and distributions to owners						
Ordinary shares issued on conversion of convertible bonds converted into ordinary stocks	2,316	2,316	-	-	-	-
Equity share options issued	76	-	-	-	76	-
Total transactions with owners in their capacity as owners	2,392	2,316	-	-	76	-
Closing balance at 31/3/2010	736,602	268,782	444,390	5,279	4,032	14,119

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

During Q1 2011, the Company issued 8,575,106 ordinary shares on conversion of \$11,490,665 convertible bonds and 215,700 options was exercised under the United Engineers Share Option Scheme 2000 (Scheme 2000).

As at 31 March 2011, there were 5,752,450 (31 March 2010: 6,469,050) unexercised options for ordinary shares under Scheme 2000 and \$67,801,866 (31 March 2010: \$84,459,342) convertible bonds which are convertible into 50,598,407 (31 March 2010: 63,029,360) shares at the conversion price of \$1.34 per share.

1(d)(iii) Total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

As at 31 March 2011, the Company's issued and paid-up ordinary share capital excluding treasury shares was 270,839,331 ordinary stock units (31 December 2010: 262,048,525).

1(d)(iv) A statement showing all sales, transfer, disposal, cancellation and/or use of treasury shares as at the end of the current period reported on.

Not applicable. There were no treasury shares during and as at the end of the current financial period reported on.

- 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 and revised 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 2010.

- 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.

The Group adopted the new and revised Financial Reporting Standards ("FRS") and Interpretations of FRS ("INT FRS") that are effective for annual financial periods beginning on or after 1 January 2011.

The following are the new or amended FRS/INT FRS that are relevant to the Group:

Revised FRS 24 Related Party Disclosures

INT FRS 115 Agreements for the Construction of Real Estate

The adoption of the above FRS did not result in any substantial change to the Group's accounting policies or any significant impact on the financial statements.

- 6 Earnings per stock unit (cents)

	Period Ended	
	31/3/2011	31/3/2010
(a) Basic*:	11.2¢	11.0¢
(b) Diluted**:	9.5¢	9.0¢
(c) Weighted average number of stock units used in the computation of basic earnings per stock unit	267,810,665	256,537,439
(d) Weighted average number of stock units used in the computation of diluted earnings per stock unit	<u>319,621,951</u>	<u>320,259,020</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	
	31/3/2011	31/12/2010	31/3/2011	31/12/2010
Net asset per ordinary stock unit based on the total number of issued shares	<u>\$4.03</u>	<u>\$3.98</u>	<u>\$2.83</u>	<u>\$2.87</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 Property Development, Property Rental & Services and Engineering & Construction.

Q1 2011 compared with Q1 2010 performance

In **Q1 2011**, Revenue increased 17% from \$195.9 million in Q1 2010 to \$229.6 million mainly due to the sale of the remaining 58 units in *UE Print Media Hub*. However, this was partially offset by lower progressive recognition of revenue from the property sales at *Park Central @ AMK* as the project is nearing completion. Arising from the increased revenue, Gross profit rose 20% to \$68.5 million in Q1 2011. Gross profit percentage improved marginally to 29.8% compared with 29.2% in Q1 2010.

Other income decreased 80% from \$3.5 million in Q1 2010 to \$0.7 million mainly due to the absence of \$3.2 million foreign exchange gains in Q1 2011.

Other expenses increased 216% from \$2.5 million in Q1 2010 to \$7.8 million mainly due to fair value losses from short-term investments, impairment losses on properties held for sale, advisory and listing expenses for the listing of UE E&C Ltd. and foreign exchange losses in Q1 2011.

Finance costs increased 6% to \$1.2 million mainly due to higher borrowings used to finance working capital in Q1 2011.

Income tax expense decreased 6% from \$8.9 million in Q1 2010 to \$8.4 million mainly due to under provision of prior years' income tax in Q1 2010.

Attributable profit

The Group's **attributable profit** increased to \$29.9 million in Q1 2011 compared with \$28.2 million in Q1 2010.

Earnings per ordinary stock unit (EPS) was 11.2 cents compared with 11.0 cents in Q1 2010.

Net asset per ordinary stock unit stood at \$4.03 as at 31 March 2011 compared with \$3.98 as at 31 December 2010.

Segment review

In the **Property Development Segment**, revenue increased 21% to \$118.7 million in Q1 2011 mainly due to the sale of the remaining 58 units in *UE Print Media Hub*. However, this was partially offset by lower progressive recognition of revenue from the property sales at *Park Central @ AMK* as the project is nearing completion. Operating profit before interest increased 21% to \$30.3 million in Q1 2011 mainly due to the higher revenue.

In the **Property Rental & Services Segment**, revenue increased 4% to \$36.9 million in Q1 2011 mainly due to the new rental contributions from *UE BizHub CENTRAL*. Operating profit before interest decreased 12% to \$7.8 million in Q1 2011 mainly due to higher property tax.

In the **Engineering & Construction Segment**, revenue increased 18% to \$105.8 million mainly due to the completion of projects. Operating profit before interest of \$5.3 million was comparable to Q1 2010.

Cash flow and financial position review

As at 31 March 2011, the Group had a cash and cash equivalents of \$329 million. In Q1 2011, the Group incurred total development expenditure of \$81 million for the mixed development (including the condominium *The Rochester*) in one-north, *Park Central @ AMK* at Ang Mo Kio Street 52, *UE BizHub East* at Changi Business Park, *Austville Residences* at Sengkang East Avenue/Buangkok Drive and the mixed development at 277 Orchard Road. Together with the net cash proceeds of \$31.9 million from the listing of UE E&C Ltd., overall net increase in cash and cash equivalents was \$75.6 million in Q1 2011. Apart from the above, the Group's components of cash flow and financial position and changes in these components from 31 December 2010 to 31 March 2011 were the result 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.

The Group will continue to execute and bid for building, engineering and infrastructure projects over the next 12 months. The outlook for Singapore, where the bulk of the Group's business is based is positive, although its pace of growth will depend on global economic conditions.

- 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

Heng Fook Pyng

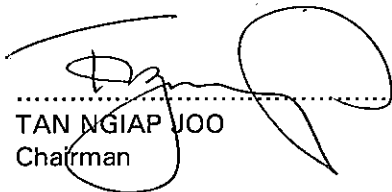
Secretary

10 May 2011

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 2011 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