

NEWS RELEASE



Half Year Gross Profit Up 25%, Revenue Up 2% **Improved operational performance for first half and 2nd Quarter**

SINGAPORE, 30 July 2008 – **United Engineers Limited** ('the Group') announced that operationally, its performance in both Q2 2008 and H1 2008 have improved compared to corresponding periods in 2007. Excluding fair value adjustments and divestment gains on short-term investments, operating profit for Q2 2008 is \$10.5 million compared to \$1.8 million in Q2 2007, representing an increase of \$8.7 million or 478%. On the same basis, operating profit for H1 2008 increased \$14.3 million (656%) to \$16.5 million from \$2.2 million in H1 2007.

Results for Q2 2008

For Q2 2008, gross profit rose \$7.5 million (29%) to \$32.8 million while gross profit percentage increased to 23.4% compared to 17.4% in Q2 2007. This was due to improved margins from both the Engineering & Construction (E&C) and Integrated Facility Management (IFM) divisions, although revenue declined \$5.2 million (4%) to \$140.2 million from \$145.4 million in Q2 2007.

Other income decreased \$9.8 million (85%) from \$11.5 million in Q2 2007 to \$1.7 million in Q2 2008 due to fair value gains and gains on divestment of short-term investments in Q2 2007. Arising from a stronger Singapore dollar against Ringgit, Rupiah and the US dollar, the Group incurred:

- translation losses of \$2.7 million on foreign currency denominated liabilities; and

- a fair value charge of \$3.1 million (\$2.1 million after minority interest) relating to the carrying value of its investment in Anhui Hefei United Power Generation Company Limited (AHUP).

As a result of the above, other expenses increased \$6.2 million (383%) to \$7.8 million compared to \$1.6 million in Q2 2007.

Finance costs decreased from \$4.4 million in Q2 2007 to \$2.8 million due to lower interest rates in Q2 2008.

Arising from all of the above, operating profit declined from \$13.8 million in Q2 2007 to \$7.3 million in Q2 2008.

The share of results from equity-accounted associates in Q2 2008 decreased \$3.0 million from \$4.0 million in Q2 2007 due to the cessation of contribution from AHUP with effect from 1 December 2007. The proposed divestment of AHUP was approved by shareholders on 25 April 2008 and is pending finalisation.

Results for H1 2008

In H1 2008, gross profit rose \$12.2 million (25%) to \$61.2 million as revenue increased \$5.3 million (2%) to \$273.8 million from \$268.5 million in H1 2007. Gross profit percentage increased to 22.4% compared to 18.3% in H1 2007.

Operating profit was affected by fair value losses relating to the Group's short-term investments, foreign currency translation losses and unrealised exchange losses. Other income decreased \$21.7 million (91%) from \$24.0 million in H1 2007 to \$2.3 million in H1 2008 due to fair value gains and gains on divestment of short-term investments in H1 2007. Other expenses increased \$17.5 million (429%) to \$21.6 million compared to \$4.1 million in H1 2007 mainly due to:

- fair value losses relating to the Group's short-term investments of \$3.5 million; and
- translation losses of \$4.1 million and a fair value charge of \$11.1 million (\$6.4 million after minority interest) against AHUP arising from a stronger Singapore dollar.

Finance cost decreased from \$9.3 million in H1 2007 to \$5.5 million due to lower interest rates in H1 2008. The taxation credit in H1 2008 arose primarily from group tax relief.

The share of results from equity-accounted associates in H1 2008 decreased \$6.4 million from \$6.7 million in H1 2007 due to the cessation of contribution from AHUP.

Attributable Profit

The Group's attributable profit for Q2 2008 was \$7.4 million compared to \$14.9 million in Q2 2007. For H1 2008, the attributable profit was \$8.7 million compared to \$26.7 million in H1 2007. Excluding fair value adjustments and divestment gains on short-term investments, attributable profit for H1 2008 was \$18.5 million compared to \$6.8 million in H1 2007, representing an increase of 172% on a half-year basis.

Segmental Results

In the E&C division, quarterly comparison of results is not meaningful as progress billings of job completion vary from project to project. In Q2 2008, although revenue decreased \$8.6 million, gross profit percentage improved over Q2 2007. Revenue decreased \$15.8 million (8%) to \$194.4 million in H1 2008 due to continued stringent job selection. The E&C division recorded a fair value loss on short-term investments, resulting in a lower operating profit of \$2.9 million in Q2 2008 and \$1.5 million in H1 2008, compared to \$16.4 million in Q2 2007 and \$32.3 million in H1 2007 (which included fair value and divestment gains on short-term investments of \$10.7 million in Q2 2007 and \$19.9 million in H1 2007).

The IFM division (including property development activities) increased its revenue by \$11.9 million (37%) to \$43.6 million in Q2 2008 and \$25.4 million (41%) to \$87.9 million in H1 2008. This was mainly due to higher rental rates and partial recognition of income from the sale of *The Rochester*. Arising from higher revenue, the division's profit before interest and tax grew \$8.5 million (315%) in Q2 2008 and \$12.8 million (196%) in H1 2008.

Order Book

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. However, continued pressure from the rising costs of building materials, energy and manpower resources will have an impact on the engineering and construction industry.

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For more information, please contact:

David Lim
Corporate Communications & Investor Relations
United Engineers Limited
DID: 6830 8358
HP: 9677 3846
Email: davidlim@uel.com.sg

About United Engineers Limited

Established in 1912, the Group is a reputable corporation with key activities in Engineering, Construction and Integrated Facility Management. The Group's strong track record and end-to-end capabilities from Design, Build, and Manage have given it a competitive edge in today's business. One of the first listed companies in Singapore, the Group today has more than 5,000 employees and operations in about 12 countries across the Asia Pacific region.

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