



Q1 2019 Financial Statements Announcement

Part I – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a)(i) Income statement for the first quarter ended

	Group		
	31/3/2019	31/3/2018	Change
	\$000	\$000	%
Revenue	85,298	105,248	(19)
Cost of sales	(44,078)	(59,041)	(25)
Gross profit	41,220	46,207	(11)
Other items of income			
Interest income	949	868	9
Other income	838	439	91
Other items of expense			
Distribution costs	(5,164)	(6,379)	(19)
Administrative expenses	(22,073)	(23,299)	(5)
Finance costs	(6,721)	(5,441)	24
Other expenses	(695)	(935)	(26)
Operating profit	8,354	11,460	(27)
Share of profit from equity-accounted associates and joint ventures	1,557	940	66
Profit before tax	9,911	12,400	(20)
Income tax expense	(2,342)	(3,198)	(27)
Profit net of tax	7,569	9,202	(18)
Profit/(loss) attributable to:			
Owners of the Company	7,767	9,002	(14)
Non-controlling interests	(198)	200	NM
	7,569	9,202	(18)

NM: Not meaningful

1(a)(ii) Other information

	Group	
	31/3/2019	31/3/2018
	\$000	\$000
Depreciation of property, plant and equipment ⁽¹⁾	(6,180)	(3,557)
Foreign exchange (loss)/gain	(107)	94
Net inventories written-back	27	108
Under provision of prior years' tax	(90)	(956)
Reversal of impairment loss/(impairment loss) on trade receivables	84	(227)

⁽¹⁾ Depreciation of property, plant and equipment increased mainly due to the recognition of right-of-use assets arising from the adoption of SFRS(I) 16.

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

	Group	
	31/3/2019	31/3/2018
	\$000	\$000
Profit net of tax for the period	7,569	9,202
Other comprehensive income		
Items that will not be reclassified to income statement:		
Financial assets, at fair value through other comprehensive income (FVOCI)		
- Fair value changes during the period	1,426	(1,485)
	1,426	(1,485)
Items that may be reclassified subsequently to income statement:		
Gains on exchange differences on translation, net of tax	3,766	7,146
Share of other comprehensive income from equity-accounted associates, net of tax	381	394
	4,147	7,540
Other comprehensive income for the period, net of tax	5,573	6,055
Total comprehensive income for the period	13,142	15,257
Attributable to:		
Owners of the Company	12,246	13,173
Non-controlling interests	896	2,084
	13,142	15,257

1(b)(i) Statements of financial position

	Group		Company	
	31/3/2019	31/12/2018	31/3/2019	31/12/2018
	\$000	\$000	\$000	\$000
<u>ASSETS</u>				
<u>Non-current assets</u>				
Property, plant and equipment	205,105	141,385	39,941	20,519
Investment properties	1,928,668	1,927,740	729,945	729,900
Interests in subsidiaries	–	–	1,072,012	1,053,732
Interests in associates	111,038	108,759	322	322
Interests in joint ventures	44,891	44,830	–	–
Deferred tax assets	26,245	29,259	–	–
Other investments	28,176	26,751	1,209	1,209
Total non-current assets	2,344,123	2,278,724	1,843,429	1,805,682
<u>Current assets</u>				
Inventories	26,475	24,215	–	–
Income tax receivables	478	678	–	–
Trade and other receivables	89,250	98,343	18,859	31,612
Prepayments	10,121	8,739	634	690
Properties held for sale	1,001,695	959,720	–	–
Bank balances and deposits	277,912	251,252	38,112	22,352
Total current assets	1,405,931	1,342,947	57,605	54,654
Total assets	3,750,054	3,621,671	1,901,034	1,860,336
<u>EQUITY AND LIABILITIES</u>				
<u>Equity</u>				
Share capital	745,717 ⁽¹⁾	745,717 ⁽¹⁾	808,030	808,030
Retained earnings	1,202,470	1,194,744	820,840	817,428
Other reserves	(9,064)	(13,560)	(21)	(21)
Equity attributable to owners of the Company	1,939,123	1,926,901	1,628,849	1,625,437
Non-controlling interests	284,842	283,985	–	–
Total equity	2,223,965	2,210,886	1,628,849	1,625,437
<u>Non-current liabilities</u>				
Provisions	34,340	35,941	–	–
Deferred tax liabilities	51,361	54,609	–	–
Trade and other payables	53,561	228	18,840	–
Borrowings	744,756	728,358	150,000	150,000
Total non-current liabilities	884,018	819,136	168,840	150,000
<u>Current liabilities</u>				
Provisions	4,121	3,339	–	–
Income tax payable	31,180	30,348	4,566	3,999
Trade and other payables	227,244	197,607	23,198	23,600
Borrowings	379,526	360,355	75,581	57,300
Total current liabilities	642,071	591,649	103,345	84,899
Total liabilities	1,526,089	1,410,785	272,185	234,899
Total equity and liabilities	3,750,054	3,621,671	1,901,034	1,860,336

⁽¹⁾ This excludes 21,712,000 stock units held by a subsidiary.

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 31/3/2019		As at 31/12/2018	
\$000	\$000	\$000	\$000
Secured	Unsecured	Secured	Unsecured
299,419	80,107	300,713	59,642

- (b) Amount repayable after one year

As at 31/3/2019		As at 31/12/2018	
\$000	\$000	\$000	\$000
Secured	Unsecured	Secured	Unsecured
594,756	150,000	578,358	150,000

- (c) Details of any collaterals

The borrowings are generally secured on certain investment properties and properties held for sale and/or by fixed and floating charges over certain assets of certain subsidiaries.

1(c) Statement of cash flows

	Group	
	31/3/2019	31/3/2018
	\$000	\$000
Cash flows from operating activities		
Profit before tax	9,911	12,400
Depreciation of property, plant and equipment	6,180	3,557
Dividend income from other investments	(679)	(552)
Finance costs	6,721	5,441
Impairment loss on investment in associate	–	337
Interest income	(949)	(868)
Loss on disposal of property, plant and equipment	3	38
Net inventories written-back	(27)	(108)
Property, plant and equipment written-off	1	83
Share of profit from equity-accounted associates and joint ventures	(1,557)	(940)
Others	(1,284)	(1,609)
Operating cash flows before changes in working capital	18,320	17,779
Decrease in trade, other receivables and contract assets	7,828	4,756
(Increase)/decrease in properties held for sale	(39,359)	5,749
Increase/(decrease) in trade, other payables, provisions and contract liabilities	20,411	(12,460)
Increase in inventories	(2,232)	(498)
Cash flows from operations	4,968	15,326
Income taxes paid	(1,696)	(3,734)
Interest paid	(6,018)	(2,326)
Interest received	929	877
Net cash flows (used in)/from operating activities	(1,817)	10,143
Cash flows from investing activities		
Decrease in amounts due from associates and joint ventures	60	99
Distribution from dissolution of other investments	–	102
Dividends received from associates	88	106
Dividends received from other investments	679	552
Proceeds from disposal of property, plant and equipment	4	55
Proceeds from settlement of outstanding consideration	–	4,584
Purchase of property, plant and equipment	(5,861)	(3,122)
Subsequent expenditure on investment properties	(908)	(621)
Net cash flows (used in)/from investing activities	(5,938)	1,755
Cash flows from financing activities		
Acquisition of non-controlling interests	(18)	–
Distribution to shareholders from liquidation of a joint venture	–	22
Increase/(decrease) in banker acceptance	2,184	(515)
Increase/(decrease) in short-term loans	16,817	(1,993)
Payment of lease liabilities	(3,397)	–
Proceeds from long-term loans	17,941	275
Repayment of long-term loans	(221)	(198)
Net cash flows from/(used in) financing activities	33,306	(2,409)
Net increase in cash and cash equivalents	25,551	9,489
Cash and cash equivalents, beginning balance	251,252	384,711
Effect of exchange rate changes on cash and cash equivalents	1,109	1,266
Cash and cash equivalents, ending balance	277,912	395,466

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

	Attributable to owners of the Company						Non-controlling interests
	Total equity	Equity attributable to owners of the Company	Share capital	Treasury shares	Retained earnings	Other reserves	
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Opening balance at 1/1/2019, as previously reported	2,210,886	1,926,901	808,030	(62,313)	1,194,744	(13,560)	283,985
Effect of adoption of SFRS(I) 16	(62)	(41)	–	–	(41)	–	(21)
Opening balance at 1/1/2019, as adjusted	2,210,824	1,926,860	808,030	(62,313)	1,194,703	(13,560)	283,964
Profit/(loss) for the period	7,569	7,767	–	–	7,767	–	(198)
Gains on exchange differences on translation, net of tax	3,766	2,672	–	–	–	2,672	1,094
Financial assets, at FVOCI							
- Fair value changes arising during the period	1,426	1,426	–	–	–	1,426	–
Share of other comprehensive income from equity-accounted associate, net of tax	381	381	–	–	–	381	–
Other comprehensive income for the period	5,573	4,479	–	–	–	4,479	1,094
Total comprehensive income for the period	13,142	12,246	–	–	7,767	4,479	896
Changes in ownership interests in subsidiaries							
Acquisition of non-controlling interests without a change in control	(18)	–	–	–	–	–	(18)
Total changes in ownership interests in subsidiaries	(18)	–	–	–	–	–	(18)
Total transaction with owners in their capacity as owners	(18)	–	–	–	–	–	(18)
Others							
Share of share option reserve from equity-accounted associates	17	17	–	–	–	17	–
Total others	17	17	–	–	–	17	–
Closing balance at 31/3/2019	<u>2,223,965</u>	<u>1,939,123</u>	<u>808,030</u>	<u>(62,313)</u>	<u>1,202,470</u>	<u>(9,064)</u>	<u>284,842</u>
Opening balance at 1/1/2018	2,207,570	1,901,434	808,030	(62,313)	1,158,499	(2,782)	306,136
Profit for the period	9,202	9,002	–	–	9,002	–	200
Gains on exchange differences on translation, net of tax	7,146	5,262	–	–	–	5,262	1,884
Financial assets, at FVOCI							
- Fair value changes arising during the period	(1,485)	(1,485)	–	–	–	(1,485)	–
Share of other comprehensive income from equity-accounted associate, net of tax	394	394	–	–	–	394	–
Other comprehensive income for the period	6,055	4,171	–	–	–	4,171	1,884
Total comprehensive income for the period	15,257	13,173	–	–	9,002	4,171	2,084
Others							
Transfer of reserve upon dissolution of other investments	–	(15)	–	–	32	(47)	15
Total others	–	(15)	–	–	32	(47)	15
Closing balance at 31/3/2018	<u>2,222,827</u>	<u>1,914,592</u>	<u>808,030</u>	<u>(62,313)</u>	<u>1,167,533</u>	<u>1,342</u>	<u>308,235</u>

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

COMPANY

	Total equity \$000	Share capital \$000	Retained earnings \$000	Other reserves \$000
Opening balance at 1/1/2019	1,625,437	808,030	817,428	(21)
Profit for the period	3,412	–	3,412	–
Total comprehensive income for the period	3,412	–	3,412	–
Closing balance at 31/3/2019	<u>1,628,849</u>	<u>808,030</u>	<u>820,840</u>	<u>(21)</u>
Opening balance at 1/1/2018	1,593,786	808,030	785,789	(33)
Profit for the period	33,424	–	33,424	–
Total comprehensive income for the period	33,424	–	33,424	–
Closing balance at 31/3/2018	<u>1,627,210</u>	<u>808,030</u>	<u>819,213</u>	<u>(33)</u>

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

There was no change in the issued share capital of the Company since 31 December 2018.

As at 31 March 2019 and 31 March 2018 there was no outstanding share options in respect of unissued stock units under the United Engineers Share Option Scheme 2000.

<u>Share capital</u>	31/3/2019	31/3/2018
Number of issued stock units	637,520,399	637,520,399
Number of issued stock units (excluding subsidiary holdings)	615,808,399	615,808,399
Number of subsidiary holdings	21,712,000	21,712,000
Number of treasury shares	Nil	Nil
Percentage of the aggregate number of treasury shares and the subsidiary holdings held against the total number of shares outstanding	3.41%	3.41%

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 2019, the Company's issued and paid-up ordinary share capital excluding treasury shares was 637,520,399 ordinary stock units (31 December 2018: 637,520,399).

1(d)(iv) A statement showing all sales, transfers, 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 period reported on.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current period reported on.

There were no sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current 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 auditor's report (including any qualifications or emphasis of matter)

Not applicable.

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

Except as disclosed in Paragraph 5 below, 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 2018.

- 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/revised SFRS(I) that are effective for annual periods beginning on or after 1 January 2019.

SFRS(I) 16 Leases

SFRS(I) INT 23 Uncertainty over Income Tax Treatments

Amendments to SFRS(I) 9 Prepayment Features with Negative Compensation

Amendments to SFRS(I) 1-28 Long-term Interests in Associates and Joint Venture

Annual improvements to SFRS(I)s 2015-2017 Cycle

The adoption of the above SFRS(I) did not result in any substantial change to the Group's accounting policies or any significant impact on the financial statements except for the following:

SFRS(I) 16

On the adoption of SFRS(I) 16, the Group elected to adopt SFRS(I) 16 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, 1 January 2019.

The Group expects to choose, on a lease-by-lease basis, to measure the right-of-use asset at either:

- i. its carrying amount as if SFRS(I) 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate as of 1 January 2019; or
- ii. an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 January 2019.

The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. At commencement date of a lease, a lessee will recognise a liability to make a lease payment (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to recognise separately the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Right-of-use assets are measured using the cost model and are carried at cost less accumulated depreciation and accumulated impairment loss, if any, subsequent to initial recognition. The carrying amount for lease liabilities subsequent to initial recognition would take into account interest on the lease liabilities, lease payments made and any reassessment or lease modifications.

6 Earnings per stock unit (cents)

	Group	
	31/3/2019	31/3/2018
(a) Basic*:	1.2	1.4
(b) Diluted**:	1.2	1.4
(c) Weighted average number of stock units used in the computation of basic earnings per stock unit	637,520,399	637,520,399
(d) Weighted average number of stock units used in the computation of diluted earnings per stock unit	637,520,399	637,520,399

* 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⁽¹⁾		Company	
	31/3/2019	31/12/2018	31/3/2019	31/12/2018
Net asset per ordinary stock unit based on the total number of issued stock units	\$3.15	\$3.13	\$2.55	\$2.55

⁽¹⁾ Based on total number of issued stock units excluding the number of stock units held by a subsidiary.

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

Q1 2019 compared with Q1 2018

Revenue decreased 19% to \$85.3 million in Q1 2019 from \$105.2 million in Q1 2018 mainly due to lower revenue contribution from engineering and property development. Gross profit decreased 11% to \$41.2 million in Q1 2018.

Other income increased 91% to \$0.8 million in Q1 2019 from \$0.4 million in Q1 2018 mainly due to recoveries and compensation claims, as well as rebates and grants from government.

Distribution costs decreased 19% to \$5.2 million in Q1 2019 from \$6.4 million in Q1 2018 mainly due to lower selling and marketing expenses for overseas property development projects.

Finance costs increased 24% to \$6.7 million in Q1 2019 from \$5.4 million in Q1 2018 mainly due to higher interest rates in 2019.

Other expenses decreased 26% to \$0.7 million in Q1 2019 from \$0.9 million in Q1 2018 mainly due to the absence of an impairment loss on an overseas associate recorded in Q1 2018.

Share of profit from equity-accounted associates and joint ventures increased 66% to \$1.6 million in Q1 2019 from \$0.9 million in Q1 2018 mainly due to higher contributions from the overseas associates.

Income tax expense decreased 27% to \$2.3 million in Q1 2019 from \$3.2 million in Q1 2018 which was in line with lower operating profit. The higher income tax expense in Q1 2018 was also due to under provision of prior years' income tax.

The Group's attributable profit decreased 14% to \$7.8 million in Q1 2019 from \$9.0 million in Q1 2018.

Financial position review

Property, plant and equipment increased by approximately \$64 million mainly due to the recognition of right-of-use assets arising from the adoption of SFRS(I) 16.

Total trade and other payables increased by approximately \$83 million mainly due to the recognition of lease liabilities arising from the adoption of SFRS(I) 16 and advances received from buyers of overseas residential development projects.

Cash flow review

As at 31 March 2019, the Group had cash and cash equivalents of approximately \$278 million. In Q1 2019, the Group incurred development expenditure of approximately \$39 million for its Singapore and China development projects. Apart from this, the Group's components of cash flow and changes in these components from 31 December 2018 to 31 March 2019 were mainly due to the Group's other ongoing operations.

Operation review

Property Rental & Hospitality

Revenue decreased 2% to \$30.6 million in Q1 2019 from \$31.3 million in Q1 2018. Operating profit before interest decreased 9% to \$15.0 million in Q1 2019 from \$16.4 million in Q1 2018 mainly due to lower revenue.

Property Development

Revenue decreased 60% to \$5.1 million in Q1 2019 from \$12.7 million in Q1 2018 mainly due to lower revenue from the sales of units from completed overseas development projects. As a result, operating loss before interest increased 40% to \$0.7 million in Q1 2019 from \$0.5 million in Q1 2018.

Engineering & Distribution

Revenue decreased 22% to \$23.3 million in Q1 2019 from \$29.9 million in Q1 2018 mainly due to lower contribution from the system integration business. Operating profit before interest decreased 37% to \$1.7 million in Q1 2019 from \$2.7 million in Q1 2018 mainly due to lower revenue.

Manufacturing

Revenue decreased 18% to \$15.5 million in Q1 2019 from \$19.0 million in Q1 2018. Operating loss before interest was \$0.6 million in Q1 2019 compared with operating profit of \$0.2 million in Q1 2018. The decline in operating results in Q1 2019 was mainly due to lower revenue, unfavorable product mix and a slower production ramp up for certain new products.

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

The Company did not make any forecast statement previously. The Group's Q1 2019 results are in line with the statement made in paragraph 10 of the Company's FY 2018 results announcement on 25 February 2019.

- 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 weaker economic outlook in Singapore coupled with the sustained impact of the property cooling measures, the last of which was announced in July 2018, will continue to weigh on the overall sentiment of the residential property markets in Singapore. On the other hand, office rentals in Singapore may continue to see steady recovery amid healthy demand. The Group is working towards the launch of the Dairy Farm project for sale in the second half of 2019 and is embarking on asset enhancement initiatives for its investment properties in Singapore. In China, the cooling measures and slower economic growth may pose challenges to the overall property market in the near term, but the demand for good quality housing remains and the residential property market may continue to see sustainable growth in the longer term.

- 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

Not applicable.

- (d) Books closure date

Not applicable.

- 12** If no dividend has been declared/recommendeded, a statement to that effect and the reason(s) for the decision.

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 when the full year results are finalised.

- 13** If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Company did not obtain a general mandate from shareholders for interested party transactions.

- 14** Confirmation that the Issuer has procured undertaking from all of its Directors and Executive Officers (in the format set out in Appendix 7.7) under Rule 720(1).

The Company confirms that it has procured undertakings from all of its directors and executive officers in the format set out in Appendix 7.7 of the Listing Manual.

BY ORDER OF THE BOARD
Gn Jong Yuh Gwendolyn
Secretary
14 May 2019

Confirmation by the Board

We, Zhong Sheng Jian and Tan Chee Keong Roy, 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 2019 financial results to be false or misleading in any material aspect.

On behalf of the Board,

.....
Zhong Sheng Jian
Executive Chairman

.....
Tan Chee Keong Roy
Group Managing Director