

Unaudited First Quarter Financial Statement Announcement

PART I – INFORMATION REQUIRED FOR ANNOUNCEMENT OF FIRST QUARTER RESULTS

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

	Group		
	31/03/2014	31/03/2013	Change
	\$000	\$000	%
Revenue	71,036	87,630	(19)
Cost of sales	(61,966)	(78,155)	(21)
Gross profit	9,070	9,475	(4)
Other items of income			
Interest income	998	1,221	(18)
Other income	636	1,557	(59)
Other items of expense			
Distribution expenses	(2,779)	(2,037)	36
Administrative expenses	(3,926)	(3,305)	19
Finance costs	(333)	(206)	62
Other expenses	(844)	(667)	27
Operating profit	2,822	6,038	(53)
Share of results of associates and joint ventures	(246)	885	NM
Profit before tax	2,576	6,923	(63)
Income tax expense	(855)	(1,945)	(56)
Profit net of tax	1,721	4,978	(65)
Profit attributable to:			
Owners of the Company	1,658	4,774	(65)
Non-controlling interests	63	204	(69)
	1,721	4,978	(65)

NM : Not meaningful

1(a)(ii) Statement of Comprehensive Income:

	Group	
	31/03/2014	31/03/2013
	\$000	\$000
Profit net of tax	1,721	4,978
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Net effect of exchange differences arising from translation of financial statements of foreign operations	62	77
Other comprehensive income for the period, net of tax	62	77
Total comprehensive income for the period	1,783	5,055
Total comprehensive income attributable to:		
Owners of the Company	1,723	4,851
Non-controlling interests	60	204
Total comprehensive income for the period	1,783	5,055

1(a)(iii) Note to Income Statement:

	Group	
	31/03/2014	31/03/2013
	\$000	\$000
<u>Revenue comprises:</u>		
Construction	43,905	77,498
M&E Engineering	20,661	5,876
Building Materials and Equipment	7,324	6,219
Gross revenue	71,890	89,593
Less : Inter-segment sales	(854)	(1,963)
Net revenue	71,036	87,630

1(a)(iv) Other information:

	Group	
	31/03/2014	31/03/2013
	\$000	\$000
Allowance for doubtful trade receivables	(27)	(193)
Write back of allowance for doubtful trade receivables	189	114
Amortisation of receivables and payables	50	100
Depreciation of property, plant and equipment	(2,540)	(2,248)
Foreign exchange gain, net	72	339
Gain on disposal of property, plant and equipment	296	17
Gain on fair value adjustment on held-for-trading investments	36	1,355

1(b)(i) Statements of Financial Position:

	Group		Company	
	31/03/2014	31/12/2013	31/03/2014	31/12/2013
	\$000	\$000	\$000	\$000
Assets				
Non-current assets				
Property, plant and equipment	52,811	53,020	13	16
Investment properties	5,186	5,192	–	–
Goodwill	229	229	–	–
Investments in subsidiaries	–	–	130,203	130,203
Investments in associates	11,028	11,270	–	–
Investments in joint ventures	292	295	–	–
Deferred tax assets	29	29	–	–
Trade and other receivables	108,418	105,014	1,823	1,823
Total non-current assets	177,993	175,049	132,039	132,042
Current assets				
Inventories	1,733	1,936	–	–
Income tax receivable	381	310	–	–
Trade and other receivables	141,057	144,601	2,260	2,488
Other investments	341	305	–	–
Gross amount due from customers for contract work-in-progress	9,364	15,344	–	–
Prepayments	492	501	21	36
Property held for sale	199	200	–	–
Cash and bank balances	174,953	164,615	36,529	37,739
Total current assets	328,520	327,812	38,810	40,263
Total assets	506,513	502,861	170,849	172,305
Equity and liabilities				
Equity				
Share capital	138,774	138,774	138,774	138,774
Retained earnings	167,500	165,842	30,362	30,961
Other reserves	(60,393)	(60,458)	–	–
Equity, attributable to owners of the Company	245,881	244,158	169,136	169,735
Non-controlling interests	1,510	1,450	–	–
Total equity	247,391	245,608	169,136	169,735
Non-current liabilities				
Deferred tax liabilities	4,839	4,873	–	–
Trade and other payables	6,544	5,984	–	–
Borrowings	2,044	2,058	–	–
Finance leases	2,368	2,540	–	–
Total non-current liabilities	15,795	15,455	–	–
Current liabilities				
Income tax payable	11,000	10,893	–	–
Trade and other payables	180,494	188,199	1,713	2,570
Borrowings	23,435	21,110	–	–
Finance leases	1,476	1,538	–	–
Gross amount due to customers for contract work-in-progress	26,922	20,058	–	–
Total current liabilities	243,327	241,798	1,713	2,570
Total liabilities	259,122	257,253	1,713	2,570
Total equity and liabilities	506,513	502,861	170,849	172,305

1(b)(ii) Aggregate amount of Group's borrowings and debt securities:

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

As at 31/03/2014		As at 31/12/2013	
\$000	\$000	\$000	\$000
Secured	Unsecured	Secured	Unsecured
1,958	22,953	2,418	20,230

- (b) Amount repayable after one year

As at 31/03/2014		As at 31/12/2013	
\$000	\$000	\$000	\$000
Secured	Unsecured	Secured	Unsecured
4,412	—	4,598	—

- (c) Details of any collaterals

A term loan facility of a subsidiary is secured by a first party registered charge as well as assignment of rental proceeds in respect of its investment property. Bank borrowings of a subsidiary are secured by a fixed and floating charge over the assets of that subsidiary. Finance leases of subsidiaries are secured by a fixed and floating charge over the assets of the respective subsidiaries.

1(c) Statement of Cash Flows:

	Group	
	31/03/2014	31/03/2013
	\$000	\$000
Cash flows from operating activities		
Profit before tax	2,576	6,923
Adjustments:		
Allowance for doubtful trade receivables	27	193
Write back of allowance for doubtful trade receivables	(189)	(114)
Amortisation of receivables and payables	(50)	(100)
Depreciation of property, plant and equipment	2,693	2,500
Gain on disposal of property, plant and equipment	(296)	(17)
Gain on fair value adjustment on held-for-trading investments	(36)	(1,355)
Finance costs	333	206
Interest income	(998)	(1,221)
Share of results of associates and joint ventures	246	(885)
Operating cash flows before changes in working capital	4,306	6,130
Decrease in inventories	202	317
Decrease in gross amount due from customers for contract work-in-progress	5,898	9,180
Increase in gross amount due to customers for contract work-in-progress	6,862	860
Decrease/(Increase) in trade and other receivables and prepayments	3,097	(683)
Decrease in trade and other payables and provisions	(7,328)	(6,313)
Cash flows from operations	13,037	9,491
Interest received	76	55
Interest paid	(318)	(212)
Income tax paid	(779)	(655)
Net cash flows from operating activities	12,016	8,679
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,270)	(1,661)
Proceeds from disposal of property, plant and equipment	329	222
Dividends received from associates	–	5,000
Investment in an associate	–	(300)
Loans to associates	(1,675)	(21,225)
Loans to a joint venture	(50)	(234)
Repayment of loans from an associate	–	246
Repayment of loans from a joint venture	–	886
Net cash flows used in investing activities	(3,666)	(17,066)
Cash flows from financing activities		
Repayment of trust receipts and bills payable	(239)	(2,421)
Repayment of obligations under finance leases	(487)	(280)
Proceeds from bank loans	25	–
Repayment of bank loans	(626)	(100)
Decrease in revolving bank loans	(482)	–
Net cash flows used in financing activities	(1,809)	(2,801)
Net increase/(decrease) in cash and cash equivalents	6,541	(11,188)
Cash and cash equivalents at the beginning of period	154,271	103,918
Effect of exchange rate changes on cash and cash equivalents	145	(12)
Cash and cash equivalents at the end of period	160,957	92,718

1(c) Statement of Cash Flows (continued):

Cash and cash equivalents comprise:

	Group	
	31/03/2014	31/03/2013
	\$000	\$000
Cash and bank balances	174,953	104,703
Bank overdrafts	(13,996)	(11,985)
Cash and cash equivalents	160,957	92,718

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

Group	Attributable to owners of the Company				Equity attributable to owners of the Company	Non-controlling interests	Total equity
	Share capital	Retained earnings	Other reserves	Total reserves			
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
At 1 January 2014	138,774	165,842	(60,458)	105,384	244,158	1,450	245,608
Profit net of tax	—	1,658	—	1,658	1,658	63	1,721
<u>Other comprehensive income</u>							
Net effect of exchange differences arising from translation of financial statements of foreign operations	—	—	65	65	65	(3)	62
Other comprehensive income for the period, net of tax	—	—	65	65	65	(3)	62
Total comprehensive income for the period	—	1,658	65	1,723	1,723	60	1,783
At 31 March 2014	138,774	167,500	(60,393)	107,107	245,881	1,510	247,391

(d)(i) Statements of Changes in Equity (continued):

Group	Attributable to owners of the Company					Non-controlling interests \$000	Total equity \$000
	Share capital \$000	Retained earnings \$000	Other reserves \$000	Total reserves \$000	Equity attributable to owners of the Company \$000		
At 1 January 2013	138,774	119,171	(60,437)	58,734	197,508	1,853	199,361
Profit net of tax	–	4,774	–	4,774	4,774	204	4,978
<u>Other comprehensive income</u>							
Net effect of exchange differences arising from translation of financial statements of foreign operations	–	–	77	77	77	–	77
Other comprehensive income for the period, net of tax	–	–	77	77	77	–	77
Total comprehensive income for the period	–	4,774	77	4,851	4,851	204	5,055
At 31 March 2013	138,774	123,945	(60,360)	63,585	202,359	2,057	204,416

Company	Share capital \$000	Retained earnings \$000	Total reserves \$000	Equity attributable to owners of the Company \$000	Total equity \$000
At 1 January 2014	138,774	30,961	30,961	169,735	169,735
Loss net of tax, representing total comprehensive income for the period	–	(599)	(599)	(599)	(599)
At 31 March 2014	138,774	30,362	30,362	169,136	169,136
At 1 January 2013	138,774	22,240	22,240	161,014	161,014
Profit net of tax, representing total comprehensive income for the period	–	9,256	9,256	9,256	9,256
At 31 March 2013	138,774	31,496	31,496	170,270	170,270

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

There were no changes in the Company's share capital for the period ended 31 March 2014.

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.

	31/03/2014	31/12/2013
Number of ordinary shares	270,000,000	270,000,000

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 auditors.

3 Where the figures have been audited or reviewed, the auditors' 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

Other than as mentioned in Paragraph 5 regarding the adoption of amendments to 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 2013.

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 amendments to the Financial Reporting Standards (FRS) that are effective for annual financial periods beginning on or after 1 January 2014.

Revised FRS 27 Separate Financial Statements
Revised FRS 28 Investments in Associates and Joint Ventures
FRS 110 Consolidated Financial Statements
FRS 111 Joint Arrangements
FRS 112 Disclosure of Interests in Other Entities
Amendments to FRS 32 Offsetting Financial Assets and Financial Liabilities

The adoption of the above amendments to 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 ordinary share (cents)

	Group	
	31/03/2014	31/03/2013
(a) Basic and fully diluted	0.6	1.8
(b) Based on weighted average number of shares applicable to basic and fully diluted earnings per share	270,000,000	270,000,000

7 Net asset value per ordinary share

	Group		Company	
	31/03/2014	31/12/2013	31/03/2014	31/12/2013
Net asset per ordinary share (\$)	<u>0.91</u>	<u>0.90</u>	<u>0.63</u>	<u>0.63</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

Q1 2014 compared with Q1 2013 Performance

Revenue decreased by \$16.6 million to \$71.0 million in Q1 2014 compared with \$87.6 million in Q1 2013 mainly due to completion of certain major construction projects in 2013. This was partially offset by revenue from new and on-going construction and M&E engineering projects. As a result, Gross Profit decreased to \$9.1 million from \$9.5 million in Q1 2013.

Interest income decreased to \$1.0 million from \$1.2 million in Q1 2013 mainly due to decrease in interest income on loans to associates.

Other income decreased to \$0.6 million from \$1.6 million in Q1 2013 mainly due to lower gain on fair value adjustment on held-for-trading investments.

Distribution expenses was higher at \$2.8 million from \$2.0 million in Q1 2013 mainly due to higher depreciation of property, plant and equipment as well as repair and maintenance costs for machinery.

Administrative expenses was higher at \$3.9 million from \$3.3 million in Q1 2013 mainly due to higher staff costs.

Share of results of associates and joint ventures was lower in Q1 2014 mainly due to completion of *Ascentia Sky* project in Q1 2013.

Income tax expense was lower at \$0.9 million mainly due to lower operating profit.

The Group's **attributable profit** for Q1 2014 decreased to \$1.7 million compared with \$4.8 million in Q1 2013 for the reasons stated above.

Earnings per ordinary share (EPS) was 0.6 cents for Q1 2014 compared with 1.8 cents for Q1 2013.

Net asset per ordinary share was \$0.91 as at 31 March 2014 compared with \$0.90 as at 31 December 2013.

Financial Position Review

Non-current trade and other receivables increased by \$3.4 million mainly due to increase in loans receivable from associates and retention sums receivable.

Current trade and other receivables decreased by \$3.5 million mainly due to the decrease in trade receivables.

Gross amount due from customers for contract work-in-progress decreased by \$6.0 million mainly due to lower cost recognised for on-going projects.

Current trade and other payables decreased by \$7.7 million mainly due to lower trade payables, accrual for staff costs as well as accrual for job costs.

Gross amount due to customers for contract work-in-progress increased by \$6.9 million mainly due to lower certification of work done.

Cash Flow Review

As at 31 March 2014, the Group had cash of \$175.0 million. The Group generated net cash of \$12.0 million from operating activities, of which \$2.3 million was deployed in fixed assets and \$1.2 million in loans to associates for property development projects. The Group's components of cash flow and changes in these components from 31 December 2013 to 31 March 2014 were due to the Group's other on-going operations.

As at the date of this report, the Company has utilised a total of \$18.2 million of the IPO proceeds, comprising \$5.0 million for capital injection into its wholly-owned subsidiary UE Power & Resources Pte Ltd to expand its power solutions business; and \$13.2 million for the property development project in Pasir Ris Drive 3/Pasir Ris Link.

The Company will make periodic announcements via SGXNET as and when the remaining net proceeds from the Company's IPO are materially disbursed.

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 or a prospect statement previously.

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.

We remain optimistic about the construction and engineering businesses as the construction demand in 2014 could reach between \$31 billion and \$38 billion based on forecast by the Building and Construction Authority of Singapore. However, with this high level of construction activities, we expect continued pressures from rising labour costs due to the current tight labour market. The Group will continue to strive for productivity enhancement and strategic labour deployment.

The demand for private residential properties continues to be dampened by the property cooling measures implemented by the Singapore Government in 2013. Hence the Group will continue to adopt a cautious approach towards property development activities going forward.

11 Dividend

(a) Current Financial Period Reported on

Any dividend recommended for the current financial period reported on?

No.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

No.

(c) Date Payable

Not applicable.

(d) Books closure date

Not applicable.

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

No dividend is declared for the first quarter ended 31 March 2014.

13 Interested Person Transactions

Name of interested person	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual)	Aggregate value of all interested person transactions conducted under the shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual (excluding transactions less than \$100,000)
	Group 31/03/2014 \$000	Group 31/03/2014 \$000
United Engineers Limited Group		
(A) Contract value ¹	–	128,391
(B) Revenue ¹	–	13,973

¹ Revenue forms part of the contract value.

BY ORDER OF THE BOARD
Tan Ching Chek
Company Secretary
14 May 2014

Confirmation by the Board

We, Dr Tan Eng Liang and Chua Hock Tong, being two directors of UE E&C Ltd. (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 2014 financial results to be false or misleading in any material aspect.

On behalf of the Board,

.....
Dr Tan Eng Liang
Chairman

.....
Chua Hock Tong
Chief Executive Officer