



United Engineers Reports Q3 2019 Attributable Profit of \$19.6 Million (excluding net revaluation gain on investment properties)

SINGAPORE, 11 November 2019 – United Engineers Limited (the “Company” or the “Group”) today announced revenue increased 38% to \$112.4 million for the third quarter of 2019 (“Q3 2019”) mainly due to revenue contribution from *Chengdu Orchard Villa* (Phase 5A) in China upon project completion and handover. In connection with the Offers¹ made by Yanlord Investment (Singapore) Pte. Ltd. announced on 25 October 2019, the Group commissioned independent external valuations for certain significant investment properties which resulted in a net revaluation gain of \$65.2 million. The quarter’s attributable profit (excluding the net revaluation gain) increased from \$7.7 million to \$19.6 million.

	Q3 2019	Q3 2018
	(\$M)	(\$M)
Revenue	112.4	81.5
Operating profit before revaluation of investment properties	24.4	8.7
Attributable profit (excluding net revaluation gain on investment properties)	19.6	7.7
Net surplus on revaluation of investment properties	65.2	-
Attributable profit	84.8	7.7

“Whilst global economic uncertainties and trade tensions continue to weigh on investment sentiments, the Group will seek investment and partnership opportunities and make selective property acquisitions. We will be focusing on executing our residential projects in Singapore and China as well as selective asset enhancement work for our investment properties in Singapore”, said Mr Roy Tan, Group Managing Director.

Segment Review

¹ The mandatory conditional cash offer for all the issued and paid-up ordinary stock units in the capital of the Company other than those already owned, controlled or agreed to be acquired by Yanlord Investment (Singapore) Pte. Ltd. (the “Offeror”) and parties acting in concert with the Offeror in accordance with Rule 14 of The Singapore Code on Take-overs and Mergers (the “Code”) and the comparable offer for all the issued and paid-up preference shares in the capital of the Company other than those already owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with the Offeror in accordance with Rule 18 of the Code (collectively, the “Offers”).

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Property Rental & Hospitality revenue increased 8% to \$34.4 million in Q3 2019 and 4% to \$97.8 million for the nine months of 2019 (“9M 2019”). Excluding net revaluation gains from the Group’s investment properties, operating profit before interest increased 29% to \$21.0 million for Q3 2019 and 10% to \$53.0 million for 9M 2019 mainly due to higher revenue and profit contribution from *UE BizHub TOWER* and *UE BizHub WEST*.

Revenue in **Property Development** segment increased to \$37.8 million in Q3 2019 and 98% to \$49.6 million for 9M 2019 mainly due to revenue recognition from *Chengdu Orchard Villa* (Phase 5A) in China upon project completion and handover in accordance with completed contract method. Operating profit before interest was \$7.1 million in Q3 2019 and \$5.2 million in 9M 2019 compared with operating loss before interest of \$2.1 million in Q3 2018 and \$2.6 million in 9M 2018 mainly due to higher revenue.

Engineering & Distribution revenue decreased 22% to \$19.1 million for Q3 2019 and 19% to \$62.2 million for 9M 2019 mainly due to lower revenue contribution from the system integration business. Operating profit before interest decreased 70% to \$0.6 million for Q3 2019 mainly due to lower profit contribution from the distribution business in Singapore. For 9M 2019, operating profit before interest decreased 39% to \$3.4 million mainly due to lower revenue and profit contribution from the system integration and distribution businesses in Singapore.

In the **Manufacturing** segment, revenue decreased 28% to \$11.8 million for Q3 2019 and 22% to \$42.2 million for 9M 2019. Operating profit before interest was \$1.3 million in Q3 2019 compared with operating loss of \$0.01 million in Q3 2018 mainly due to gain on disposal of property, plant and equipment. For 9M 2019, operating profit before interest decreased 45% to \$0.6 million mainly due to lower revenue, unfavourable product mix and a slower production ramp up for certain new products. The decrease was partially offset by the gain on disposal of property, plant and equipment.

Outlook

The Group expects the slower economic growth in Singapore to weigh on the overall sentiments of the private residential property market in Singapore. Nonetheless, the Group is scheduled to launch the Dairy Farm project for sale by end November 2019.

Office rentals in Singapore may moderate against the backdrop of continuing global economic uncertainties and trade tensions. The improvement work for the commercial block at *UE BizHub WEST* has been substantially completed and will help to contribute to the Group’s recurring rental income.

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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. *Chengdu Orchard Villa* Phase 5A development has been handed over and Phase 5B development is scheduled to be handed over by end 2019.

As part of its growth strategy, the Group will continue to seek investment and partnership opportunities and will make selective property acquisitions as and when such opportunities arise.

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About United Engineers Limited

United Engineers Limited (the "Group"), founded in 1912, is one of Singapore's pioneer companies that played an integral role in the country's physical and economic transformation. Building on its early engineering roots, the Group evolved into a dynamic corporation with key business activities in Property Rental and Hospitality, Property Development, Engineering and Distribution, as well as Manufacturing today.

The Group has developed numerous iconic buildings that define the Singapore landscape, including *orchardgateway*, *UE BizHub CITY* (formerly known as *UE Square*), *UE BizHub EAST*, as well as the mixed-use development at one-north comprising *The Rochester*, *Rochester Mall* and *Park Avenue Rochester*. It also owns a stable of shopping malls which comprises *Rochester Mall*, *The Seletar Mall* and *UE Square Shopping Mall*, as well as manages the *Park Avenue* chain of hotels, serviced apartments, serviced offices and convention centre.

The Group was honoured as the 11th oldest company by Singapore International Chamber of Commerce and its flagship building, *UE BizHub CITY*, was marked a historic site in 2002 by Singapore National Heritage Board. In recognition of its contribution to Singapore's development over the decades, the Group was awarded the Singapore Golden Jubilee Business Award organised by Singapore Business Federation, Accounting and Corporate Regulatory Authority and DP Information Group.

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Responsibility Statement

The directors of the Company (including any director who may have delegated detailed supervision of this announcement) have taken all reasonable care to ensure that the facts stated and all opinions expressed in this announcement are fair and accurate and that no material facts have been omitted from this announcement (the omission of which would

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render any statement in this announcement misleading in any material aspect), and they jointly and severally accept responsibility accordingly.

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