

DIRECTORS' REPORT

The directors are pleased to present their report to the members together with the audited financial statements of the Company and of the Group for the financial year ended 31 December 2002.

DIRECTORS

The directors in office at the date of this report are as follows:

Tang I-Fang (Chairman)
Dr Tan Eng Liang
Thai Chee Ken
Lai Teck Poh
Jackson Chevalier Yap Kit Siong (Group Managing Director)
Dr Michael Lim Chun Leng

PRINCIPAL ACTIVITIES

The principal activities of the Company are those of a holding company and property owner and developer and deriving income therefrom. The subsidiary companies are primarily engaged in:

(a) **Engineering**

- ownership, development of and engineering design services for power generating plants, port terminals and handling systems, incineration plants, sewage/industrial waste treatment plants, water treatment and industrial process plants;
- mechanical and electrical building services for industrial, commercial and institutional complexes.

(b) **Development and Construction**

- provision of services as project and business managers of buildings, apartments, hotels, shopping centres and other properties;
- ownership of a warehouse complex for the purpose of carrying on a warehouse leasing business;
- property development for the purpose of sales and leasing of apartments.

(c) **Healthcare Services**

- wholesale of pharmaceutical and consumer healthcare products;
- marketing, distribution and maintenance of medical, health and lifestyle related equipment and accessories;
- provision of housekeeping, linen, laundry and facility engineering support-services to healthcare facilities and other institutions.

(d) **Manufacturing and Equipment**

- manufacturing of ISO tank containers which meet International Maritime Organisation requirements;
- fabrication of trailers, structural steel for high-rise buildings, industrial plants and specialised vehicles;
- supply and manufacturing of engineering, industrial and construction equipment, and provision of corrosion protection services;
- design, supply and installation of specialty chemical products and processes;
- processing and distribution of agricultural produces.

DIRECTORS' REPORT

PRINCIPAL ACTIVITIES (continued)

(e) Trading and Distribution

- import, export and distribution of agricultural commodities, steel, cement, timber, construction materials, automotive and industrial hardware and information technology/office automation products.

(f) Information Technology

- office automation equipment and systems;
- broadcasting and telecommunication facilities.

There have been no significant changes in these activities during the financial year.

RESULTS FOR THE FINANCIAL YEAR

	GROUP \$000	COMPANY \$000
Profit after taxation and minority interests	19,698	10,194
Accumulated profits brought forward as restated	48,910	81,751
	68,608	91,945
Dividends paid, less Singapore income tax	(6,484)	(6,484)
Accumulated profits carried forward	62,124	85,461

In the opinion of the directors, the results of the operations of the Company and of the Group during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

MATERIAL MOVEMENTS IN RESERVES AND PROVISIONS

The following net transfers have been made to/(from) reserves:

	GROUP \$000	COMPANY \$000
Assets revaluation reserve, net	(24,745)	(19,600)
Associated company revaluation reserves	—	(1,451)
Foreign currency translation, net	(3,293)	2,517

Material movements in provisions are set out in various notes to the financial statements.

ACQUISITION AND DISPOSAL OF SUBSIDIARY COMPANIES

During the financial year, the following acquisition and establishment of subsidiary companies were made:

- Applied Construction & Engineering (M) Sdn Bhd, a wholly-owned subsidiary of United Engineers (Singapore) Private Limited, acquired a 60% stake in APG Geo-Systems Sdn Bhd for a cash consideration of RM8,499,210. The attributable net assets at the date of acquisition were RM11,792,000.
- APG Geo-Systems Sdn Bhd, a 60%-owned subsidiary of Applied Construction & Engineering (M) Sdn Bhd, a wholly-owned subsidiary of United Engineers (Singapore) Private Limited, incorporated a wholly-owned subsidiary, APG Engineers Pte Ltd in Singapore with an authorised capital of \$5,000,000 and an initial issued and paid-up capital of \$2.00.

DIRECTORS' REPORT

ACQUISITION AND DISPOSAL OF SUBSIDIARY COMPANIES *(continued)*

- (c) UE Trade Corporation Pte Ltd, a wholly-owned subsidiary of McAlister and Company Limited, incorporated a wholly-owned subsidiary, UE Trade Corporation (India) Private Limited in India with an authorised capital of Rupees 50,000,000 (approximately \$1,800,000) and an initial issued and paid-up capital of Rupees 3,128,000 (approximately \$117,000).
- (d) United Engineers Developments Pte Ltd, a wholly-owned subsidiary, has registered a new wholly-owned subsidiary, Park Avenue Management Services (Shanghai) Co. Ltd (PAMS(SH)) in Shanghai, China. PAMS(SH) has a registered share capital of US\$4,000,000.
- (e) United Engineers (Singapore) Private Limited (UES), a wholly-owned subsidiary, has acquired the remaining 263,500 shares in the share capital of KM Systems Pte Ltd (KMS) for a total consideration of \$3.00. The shares represent 26% of the issued and paid-up capital of KMS. The consideration was arrived at on a willing buyer, willing seller basis. The net liabilities at the date of acquisition were \$3,642,000. With this acquisition, KMS became a wholly-owned subsidiary of UES.

There were no other acquisitions or disposals of interests in subsidiaries during the financial year.

ISSUE OF SHARES AND DEBENTURES

The Company

During the financial year, the Company issued 514,479 ordinary shares of \$1 each upon the exercise of options granted under the United Engineers Executives' Share Option Scheme (ESOS) which was terminated in Year 2000.

No debentures were issued by the Company during the financial year.

Subsidiary Companies

- (a) United Engineers Developments Pte Ltd, a wholly-owned subsidiary, has increased its issued and paid-up capital from \$25,000,000 to \$40,000,000 by way of capitalising \$15,000,000 of inter-company loans from United Engineers Limited to expand the equity base of the company.
- (b) UE-Tradetec (Singapore) Pte Ltd, a wholly-owned subsidiary, has increased its authorised share capital from \$1,500,000, and its issued and paid-up share capital from \$1,500,000 to \$5,000,000, by way of capitalising \$3,500,000 of inter-company loans from United Engineers Limited to expand the equity base of the company.
- (c) Applied Construction & Engineering (M) Sdn Bhd, a wholly-owned subsidiary of United Engineers (Singapore) Private Limited, has increased its authorised share capital from RM1,000,000 to RM10,000,000, and its issued and paid-up share capital from RM750,000 to RM5,000,000 by way of issuing 4,250,000 new ordinary shares of RM1.00 each for a total cash consideration of RM4,250,000 to provide for working capital.
- (d) UE Trade Corporation Pte Ltd, a wholly-owned subsidiary of McAlister and Company Limited, in turn a wholly-owned subsidiary of United Engineers Limited has increased its authorised share capital from \$2,000,000 to \$10,000,000 and its issued and paid-up share capital from \$1,500,000 to \$5,000,000, by way of capitalising \$3,500,000 of inter-company loans from McAlister and Company Limited to expand the equity base of the company.

DIRECTORS' REPORT

ISSUE OF SHARES AND DEBENTURES *(continued)*

Subsidiary Companies *(continued)*

- (e) United Engineers (Singapore) Private Limited, a wholly-owned subsidiary, has increased its issued and paid-up share capital from \$22,000,000 to \$32,000,000 by the issue of 10,000,000 ordinary shares of \$1.00 each to the Company, of which 5,000,000 shares were issued credited as fully paid in satisfaction of a dividend, and 5,000,000 shares were subscribed for in cash at par. United Engineers (Singapore) Private Limited also increased its authorised share capital from \$25,000,000 to \$35,000,000 ordinary shares of \$1.00 each.
- (f) KM Systems Pte Ltd, a wholly-owned subsidiary of United Engineers (Singapore) Private Limited, has increased its issued and paid-up capital from \$1,020,408 to \$1,592,856 by the issue of 572,448 ordinary shares of \$1.00 each to United Engineers (Singapore) Private Limited, credited as fully paid in satisfaction of a dividend.
- (g) MPL Pte Ltd, a 70%-owned subsidiary of McAlister and Company Limited, has increased its issued and paid-up share capital from \$2,000,000 to \$2,100,951 by the issue of 100,951 ordinary shares of \$1.00 each, credited as fully paid in satisfaction of a dividend. McAlister and Company Limited is a wholly-owned subsidiary of the Company. MPL Pte Ltd also increased its authorised share capital from \$2,000,000 to \$3,000,000 ordinary shares of \$1.00 each.
- (h) Greatearth Construction Pte Ltd (GEC), a wholly-owned subsidiary of Greatearth Holding Pte Ltd (GEH) has increased its issued and paid-up share capital by the creation and issue of 3,000,000 redeemable preference shares of \$1.00 each, which were subscribed for by GEH at an issue price of \$4.00 per share, in cash to provide working capital. Prior to the increase, GEC had an issued share capital of 15,000,000 ordinary shares of \$1.00 each fully paid. GEH is 85% owned by United Engineers (Singapore) Private Limited. After the increase, GEC will have an authorised share capital of 30,000,000 ordinary shares of \$1.00 each and 3,000,000 preference shares of \$1.00 each. The issued and paid-up capital comprises 15,000,000 ordinary shares of \$1.00 each and 3,000,000 preference shares of \$1.00 each.

There were no other issues of shares or debentures by any corporation in the Group during the financial year.

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Except as disclosed in this report, neither at the end of the financial year, nor at any time during that year was the Company a party to any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The following directors who held office at the end of the financial year had, according to the register required to be kept under Section 164 of the Companies Act, Cap. 50, an interest in the ordinary stock units and share options of the Company as stated below:

DIRECTORS' REPORT

CURRENT ASSETS

Before the profit and loss account and balance sheet of the Company were made out, the directors took reasonable steps to ascertain that any current assets which were unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values or adequate provision had been made for the diminution in the value of such current assets.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to current assets in the consolidated financial statements misleading.

CHARGES ON ASSETS AND CONTINGENT LIABILITIES

Since the end of the financial year, and up to the date of this report, no charge on the assets of the Company or any corporation in the Group has arisen which secures the liabilities of any other person and no contingent liability has arisen.

ABILITY TO MEET OBLIGATIONS

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Company and of the Group to meet their obligations as and when they fall due.

OTHER CIRCUMSTANCES AFFECTING THE FINANCIAL STATEMENTS

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or in the consolidated financial statements that would render any amount stated in the financial statements of the Company and the consolidated financial statements misleading.

UNUSUAL ITEMS AFTER THE FINANCIAL YEAR

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which would affect substantially the results of the operations of the Company and of the Group for the financial year in which this report is made.

DIRECTORS' CONTRACTUAL BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except as disclosed in Note 4 to the financial statements, and set out below under "Interested Person Transaction".

DIRECTORS' REPORT

INTERESTED PERSON TRANSACTION

Details of interested person transaction during the financial year under review are as follows:

NAME OF INTERESTED PERSON	AGGREGATE VALUE OF ALL INTERESTED PERSON TRANSACTIONS DURING THE FINANCIAL YEAR UNDER REVIEW (EXCLUDING TRANSACTIONS LESS THAN \$100,000 AND TRANSACTIONS CONDUCTED UNDER SHAREHOLDERS' MANDATE PURSUANT TO RULE 920)	AGGREGATE VALUE OF ALL INTERESTED PERSON TRANSACTIONS CONDUCTED UNDER SHAREHOLDERS' MANDATE PURSUANT TO RULE 920 (EXCLUDING TRANSACTIONS LESS THAN \$100,000)
Chemech Industries (Pte) Ltd	\$240,000	–

OPTIONS

United Engineers Executives' Share Option Scheme (ESOS)

The United Engineers Executives' Share Option Scheme (ESOS) was approved by the members of the Company at an Extraordinary General Meeting held on 31 May 1994. Under ESOS, selected full-time executive employees and full-time executive directors of the Company and/or its subsidiary companies have been granted various options in respect of unissued ordinary shares of \$1.00 each.

ESOS is administered by the Remuneration Committee comprising Mr Tang I-Fang (Chairman), Mr Lai Teck Poh and Mr Jackson Chevalier Yap Kit Siong.

Details of options granted in 1998 and 1999 have been disclosed in the Directors' Reports for the financial years ended 31 December 1998 and 31 December 1999 respectively. ESOS options granted in 1994, 1995, 1996 and 1997 have since expired.

As at 31 December 2002, unissued shares of the Company under ESOS were as follows:

DATE OF GRANT	NO. OF SHARES UNDER OPTION GRANTED	NO. OF SHARES UNDER OPTION LAPSED	NO. OF SHARES UNDER OPTION EXERCISED	NO. OF SHARES UNDER OPTION UNEXERCISED	EXERCISE PRICE	EXERCISE PERIOD
18.11.98	3,071,393	636,793	514,479	1,920,121	\$1.00	18.8.01 to 17.10.03
18.10.99	2,751,679	657,400	–	2,094,279	\$1.19	18.7.02 to 17.9.04

With the termination of ESOS in Year 2000, no further share options were granted under ESOS.

DIRECTORS' REPORT

OPTIONS (continued)

United Engineers Executives' Share Option Scheme (ESOS) (continued)

As at 31 December 2002, the status of the options granted under ESOS to the executive director of the Company was as follows:

NAME OF PARTICIPANT	AGGREGATE OPTIONS GRANTED SINCE COMMENCEMENT OF ESOS TO END OF FINANCIAL YEAR	AGGREGATE OPTIONS EXERCISED SINCE COMMENCEMENT OF ESOS TO END OF FINANCIAL YEAR	AGGREGATE OPTIONS OUTSTANDING AS AT END OF FINANCIAL YEAR
Jackson Chevalier Yap Kit Siong (Group Managing Director)	273,168	–	273,168

United Engineers Share Option Scheme 2000 (Scheme 2000)

The United Engineers Share Option Scheme 2000 was approved by the members of the Company at an Extraordinary General Meeting held on 21 June 2000. Scheme 2000 has incorporated features designed to enhance the efficacy of share options as incentive tools, and to reinforce the use of a share option scheme as a means to encourage long-term staff retention. With the implementation of Scheme 2000, ESOS has been terminated, but all outstanding options granted under ESOS will continue to be exercisable and administered in accordance with the rules of ESOS.

Scheme 2000 is administered by the Remuneration Committee. During the financial year, options were granted pursuant to Scheme 2000 in respect of 2,409,200 unissued ordinary shares of \$1.00 each to 72 executives of the Company and its subsidiaries.

The aggregate number of new ordinary shares over which options may be granted pursuant to Scheme 2000 shall not exceed 10% of the issued share capital of the Company on the day preceding the grant. Options are granted to executives taking into account criteria such as the executive's performance, seniority, years of service and potential for future development.

As at 31 December 2002, unissued shares granted under Scheme 2000 were as follows:

DATE OF GRANT	EXERCISE PERIOD	EXERCISE PRICE	BALANCE AS AT 31.12.01	NO. OF SHARES UNDER OPTION GRANTED DURING THE FINANCIAL YEAR	NO. OF SHARES UNDER OPTION EXERCISED	NO. OF SHARES UNDER OPTION LAPSED DURING THE FINANCIAL YEAR	BALANCE AS AT 31.12.02
6.12.00	6.12.01 to 5.12.10	\$1.14	2,509,200	–	–	95,500	2,413,700
5.11.01	5.11.02 to 4.11.11	\$1.01	2,967,800	–	–	103,800	2,864,000
4.10.02	4.10.03 to 3.10.12	\$1.07	–	2,409,200	–	24,000	2,385,200

DIRECTORS' REPORT

OPTIONS (continued)

United Engineers Share Option Scheme 2000 (Scheme 2000) (continued)

As at 31 December 2002, the status of the options granted under Scheme 2000 to the executive director of the Company was as follows:

NAME OF PARTICIPANT	NO. OF SHARES UNDER OPTION GRANTED DURING FINANCIAL YEAR	AGGREGATE OPTIONS GRANTED SINCE COMMENCEMENT OF SCHEME 2000 TO END OF FINANCIAL YEAR	AGGREGATE OPTIONS EXERCISED SINCE COMMENCEMENT OF SCHEME 2000 TO END OF FINANCIAL YEAR	AGGREGATE OPTIONS OUTSTANDING AS AT END OF FINANCIAL YEAR
Jackson Chevalier Yap Kit Siong (Group Managing Director)	125,000	375,000	—	375,000

No options have been granted to controlling shareholders of the Company and their associates or parent group employees. No participant has received 5% or more of the total number of options available under ESOS or Scheme 2000. No options were granted at a discount since the commencement of ESOS or Scheme 2000.

The options granted by the Company do not entitle the holders of the options, by virtue of such options, any right to participate in any share issue of any other company. The exercise price in respect of which an option is exercisable shall be equal to the average of the last dealt price for a stock unit of the Company for the 3 consecutive days immediately preceding the date of grant of that option. In no event will the exercise be less than the nominal (par) value of the share.

AUDIT COMMITTEE

The members of the Audit Committee during the year and at the date of this report are:

Thai Chee Ken	—	Chairman, non-executive director
Dr Tan Eng Liang	—	non-executive director
Dr Michael Lim Chun Leng	—	non-executive director

The Audit Committee reviewed the Company's accounting policies and internal controls on behalf of the Board of Directors and performed the functions specified in the Companies Act. In performing its functions, the Committee reviewed the overall scope of both internal and external audits. It met with the Company's internal auditors and external auditors to discuss the results of their examinations and their evaluation of the Company's system of internal accounting controls.

The Committee also reviewed the financial statements of the Company and the consolidated financial statements of the Group as well as the auditors' report thereon.

The Audit Committee nominates Ernst & Young as auditors of the Company for the financial year ending 31 December 2003 to be approved and appointed by the Company at the forthcoming Annual General Meeting.

DIRECTORS' REPORT

AUDITORS

Ernst & Young have expressed their willingness to accept re-appointment as auditors.

On behalf of the Board,

TANG I-FANG
Director

JACKSON CHEVALIER YAP KIT SIONG
Director

25 February 2003
Singapore

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 201(15)

We, TANG I-FANG and JACKSON CHEVALIER YAP KIT SIONG, being two of the directors of UNITED ENGINEERS LIMITED, do hereby state that, in the opinion of the directors:

- (i) the accompanying balance sheets, profit and loss accounts, statements of changes in equity, and consolidated cash flow statement together with the notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2002, of the results of the business and changes in equity of the Company and of the Group, and the cash flow of the Group, for the year then ended; and
- (ii) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors authorised these financial statements for issue on 25 February 2003.

On behalf of the Board,

TANG I-FANG
Director

JACKSON CHEVALIER YAP KIT SIONG
Director

25 February 2003
Singapore

AUDITORS' REPORT

TO THE MEMBERS OF UNITED ENGINEERS LIMITED

We have audited the financial statements of United Engineers Limited and the consolidated financial statements of the Group set out on pages 58 to 98, comprising the balance sheets of the Company and of the Group as at 31 December 2002, the profit and loss accounts and the statements of changes in equity of the Company and of the Group, and the consolidated cash flow statement of the Group for the year ended 31 December 2002, and notes thereto. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the financial statements and consolidated financial statements are properly drawn up in accordance with the provisions of the Companies Act (Act) and Singapore Statements of Accounting Standard and so as to give a true and fair view of:
 - (i) the state of affairs of the Company and of the Group as at 31 December 2002, the results and changes in equity of the Company and of the Group and cash flow of the Group for the year then ended on that date; and
 - (ii) the other matters required by section 201 of the Act to be dealt with in the financial statements and consolidated financial statements;
- (b) the accounting and other records, and the registers required by the Act to be kept by the Company and by those subsidiary companies incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the auditors' reports of all subsidiary companies which we have not acted as auditors, being financial statements included in the consolidated financial statements. The names of those subsidiary companies audited by our associated firms, our technical assistance firm and those audited by other firms are stated in Note 12 to the financial statements.

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with financial statements of the Company are in a form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations as required by us for those purposes.

The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and in respect of subsidiary companies incorporated in Singapore did not include any comment made under section 207(3) of the Act.

ERNST & YOUNG
Certified Public Accountants

25 February 2003
Singapore

PROFIT AND LOSS ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2002

	NOTE	GROUP		COMPANY	
		2002 \$000	2001 \$000 (Restated)	2002 \$000	2001 \$000 (Restated)
Revenue					
Sales of goods		177,108	152,942	–	–
Rendering of services		296,529	288,613	31,208	30,408
Dividend income	3	49	114	25,350	50
		473,686	441,669	56,558	30,458
Cost of sales		(385,136)	(347,685)	(310)	4,218
Gross profit		88,550	93,984	56,248	34,676
Other operating income		1,940	1,908	174	120
Distribution costs		(8,982)	(9,971)	–	–
Administrative costs		(43,225)	(43,089)	(18,035)	(16,146)
Other operating expenses		(11,958)	(7,313)	(121)	–
Operating profit	4	26,325	35,519	38,266	18,650
Exceptional items	5	(716)	(1,426)	(15,768)	(1,306)
Operating profit after exceptional items		25,609	34,093	22,498	17,344
Interest income	6	1,652	2,145	1,142	369
Interest expense	6	(7,668)	(14,180)	(5,181)	(10,293)
		19,593	22,058	18,459	7,420
Share of results of associated companies		16,769	(1,643)	–	–
Profit before taxation		36,362	20,415	18,459	7,420
Taxation	8	(7,515)	(6,045)	(8,265)	(1,217)
Profit after taxation		28,847	14,370	10,194	6,203
Minority interest		(9,149)	(604)	–	–
Profit attributable to members of United Engineers Limited		19,698	13,766	10,194	6,203
Earnings per stock unit (cents)	9				
Basic earnings per share		9.5¢	6.7¢		
Diluted earnings per share		9.5¢	6.6¢		

The accompanying notes form an integral part of the financial statements.

BALANCE SHEETS

AS AT 31 DECEMBER 2002

	NOTE	GROUP		COMPANY	
		2002 \$000	2001 \$000 (Restated)	2002 \$000	2001 \$000 (Restated)
INVESTMENT PROPERTIES	10	657,800	682,000	500,000	520,000
FIXED ASSETS	11	45,384	36,660	4,258	5,248
SUBSIDIARY COMPANIES	12	–	–	292,719	260,774
ASSOCIATED COMPANIES	13	152,978	152,445	6,772	8,224
OTHER INVESTMENTS	14	2,787	5,020	2,098	2,767
INTANGIBLES	15	1,276	966	–	–
CURRENT ASSETS					
Stocks and work-in-progress	16	52,104	38,830	–	–
Debtors	17	140,452	109,771	3,426	1,760
Bank balances and deposits		79,572	84,871	4,485	3,830
		272,128	233,472	7,911	5,590
DEDUCT: CURRENT LIABILITIES					
Bank borrowings	18	55,005	22,980	–	–
Creditors	19	103,734	109,699	9,780	9,837
Term loans	20	57,616	49,590	52,100	28,200
Provision for taxation		6,275	5,073	1,765	143
		222,630	187,342	63,645	38,180
NET CURRENT ASSETS /(LIABILITIES)		49,498	46,130	(55,734)	(32,590)
TERM LOANS	20	(252,827)	(252,782)	(185,000)	(185,000)
DEFERRED TAXATION	21	(2,728)	(1,646)	–	–
		654,168	668,793	565,113	579,423
CAPITAL AND RESERVES					
Share capital	22	207,114	206,600	207,114	206,600
Reserves		357,999	372,823	357,999	372,823
SHAREHOLDERS' FUNDS		565,113	579,423	565,113	579,423
MINORITY INTERESTS		89,055	89,370	–	–
		654,168	668,793	565,113	579,423

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2002

	NOTE	AMOUNT		NO. OF SHARES	
		2002 \$000	2001 \$000	2002 000	2001 000
Issued capital					
	22				
Balance, beginning of year					
7½ % cumulative preference shares		875	875	875	875
Ordinary shares		205,725	205,725	205,725	205,725
		206,600	206,600	206,600	206,600
Issued during the year					
Ordinary shares		514	—	514	—
Balance, end of year		207,114	206,600	207,114	206,600
Asset revaluation reserve					
Balance, beginning of year		339,347	436,929		
Deficit on revaluation of investment properties		(24,745)	(97,582)		
Balance, end of year		314,602	339,347		
Foreign currency translation					
Subsidiary and associated companies' reserves		4,596	416		
Inter-company balances of a long-term nature		(20,030)	(21,777)		
		(15,434)	(21,361)		
Foreign currency translation adjustments:					
Subsidiary and associated companies' reserves					
— restated for effect of prior year adjustment		(5,106)	4,180		
Inter-company balances of a long-term nature		1,813	1,747		
Balance, end of year		(18,727)	(15,434)		
Accumulated profits					
Balance, beginning of year					
— as previously reported		49,852	42,048		
— prior year adjustment	23	(942)	(642)		
		48,910	41,406		
Net profit – restated for effect of prior year adjustment		19,698	13,766		
Dividends, paid	24	(6,484)	(6,262)		
Balance, end of year		62,124	48,910		
Total reserves		357,999	372,823		
Total equity and shares outstanding		565,113	579,423	207,114	206,600
Net change in equity from non-owner sources excluding net profits		(28,038)	(91,655)		

The accompanying notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY - COMPANY

FOR THE YEAR ENDED 31 DECEMBER 2002

	NOTE	AMOUNT		NO. OF SHARES	
		2002 \$000	2001 \$000	2002 000	2001 000
Issued capital					
	22				
Balance, beginning of year					
7½ % cumulative preference shares		875	875	875	875
Ordinary shares		205,725	205,725	205,725	205,725
		206,600	206,600	206,600	206,600
Issued during the year					
Ordinary shares		514	—	514	—
Balance, end of year		207,114	206,600	207,114	206,600
Asset revaluation reserve					
Balance, beginning of year		303,402	387,857		
Deficit on revaluation of investment properties		(19,600)	(84,455)		
Balance, end of year		283,802	303,402		
Associated companies revaluation reserve					
Balance, beginning of year		7,906	7,712		
(Deficit)/surplus		(1,451)	194		
Balance, end of year		6,455	7,906		
Foreign currency translation					
Balance, beginning of year		(20,236)	(20,405)		
Foreign currency translation adjustment		2,517	169		
Balance, end of year		(17,719)	(20,236)		
Accumulated profits					
Balance, beginning of year					
— as previously reported		82,693	82,452		
— prior year adjustment	23	(942)	(642)		
		81,751	81,810		
Net profit – restated for effect of prior year adjustment		10,194	6,203		
Dividends, paid	24	(6,484)	(6,262)		
Balance, end of year		85,461	81,751		
Total reserves		357,999	372,823		
Total equity and shares outstanding		565,113	579,423	207,114	206,600
Net change in equity from non-owner sources excluding net profits		(18,534)	(84,092)		

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2002

	2002 \$000	2001 \$000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	36,362	20,415
Adjustments for:		
Amortisation of intangibles	345	361
Currency realignment	966	465
Depreciation of fixed assets	7,724	7,739
Exceptional items	716	1,426
Interest expense	7,668	14,180
Interest income	(1,652)	(2,145)
Gain on disposal of fixed assets	(138)	(148)
Provision for amount receivable from an associated company	–	20
Share of results of associated companies	(16,769)	1,643
Operating profit before working capital changes	35,222	43,956
(Decrease)/increase in creditors	(12,936)	3,269
Increase in debtors	(21,099)	(6,919)
Increase in stocks and work-in-progress	(12,167)	(2,202)
Cash (used in)/generated from operations	(10,980)	38,104
Interest paid	(8,674)	(15,343)
Interest received	1,764	1,338
Taxation paid	(5,995)	(12,554)
Net cash (used in)/generated from operating activities	(23,885)	11,545
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of subsidiary companies, net of cash acquired	(3,632)	(473)
Capital and development expenditure	(12,592)	(14,466)
Increase in amounts due from associated companies	(448)	(471)
Dividends received from associated companies	1,949	341
Net proceeds from sale of associated companies	–	11
Net proceeds from disposal of fixed assets	1,186	591
Net proceeds from disposal of other investments	381	574
Net proceeds from disposal of pharmaceutical retail business	579	6,484
Acquisition of other investments	–	(48)
Net cash used in investing activities	(12,577)	(7,457)

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2002

	2002 \$000	2001 \$000
CASH FLOW FROM FINANCING ACTIVITIES		
Capital contribution by minority shareholders	–	309
Capital contribution through exercise of ESOS	514	–
Increase in secured bank borrowings	6,633	4,452
Dividends paid	(6,484)	(6,262)
Dividends paid to minority shareholders	(690)	(1,245)
Proceeds from term loans	8,055	2,551
Net cash generated from/(used in) financing activities	8,028	(195)
Cash and cash equivalents at beginning of year	67,955	64,062
Net (decrease)/ increase in cash and cash equivalents	(28,434)	3,893
Cash and cash equivalents at end of year	39,521	67,955
Cash and cash equivalents comprise:		
Bank balances and deposits	79,572	84,871
Unsecured bank borrowings	(40,051)	(16,785)
Cash and cash equivalents as previously reported	39,521	68,086
Effect of exchange rate changes	–	(131)
Cash and cash equivalents as restated	39,521	67,955

The effect on the individual assets and liabilities arising from the acquisition of a subsidiary company during the financial year is set out below:

	\$000
Cash	463
Debtors	8,810
Stocks and work-in-progress	882
Fixed assets	7,292
Goodwill	688
Bank borrowings	(2,126)
Creditors	(8,184)
Tax provision	(74)
Deferred taxation	(1,381)
	6,370
Less: Minority interests	(2,275)
Purchase consideration	4,095
Less: Cash of subsidiary acquired	(463)
Cash flow on acquisition net of cash acquired	3,632

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2002

1 GENERAL

The financial statements of United Engineers Limited for the year ended 31 December 2002 were authorised for issue in accordance with a resolution of the directors on 25 February 2003.

The Company is domiciled and registered in Singapore and is listed on the Singapore Exchange Securities Trading Limited.

The principal activities of the Company are those of a holding company and property owner and property developer and deriving income therefrom. The principal activities of the subsidiary companies are set out in Note 12 to the financial statements.

The registered office of the Company is located at:

83 Clemenceau Avenue,
#18-01 UE Square
Singapore 239920

The Group and the Company employed 3,849 (2001: 3,703) and 50 (2001: 48) employees as of 31 December 2002 respectively.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements of the Company and of the Group are prepared in accordance with Singapore Statements of Accounting Standard (SAS) and applicable requirements of Singapore law.

The financial statements of the Company and of the Group are prepared under the historical cost convention except for investment properties, certain freehold/long leasehold land and all investments in subsidiary and associated companies which are stated at directors' valuation.

The accounting policies have been consistently applied by the Company, except for the change in accounting policy discussed more fully below.

The financial statements are expressed in Singapore Dollars.

(b) Change in Accounting Policy

SAS 12 – Income Taxes

Effective 1 January 2002, the Company adopted SAS 12, Income Taxes. In accordance with SAS 12, a deferred tax liability is recognised on all taxable temporary differences, calculated using the balance sheet liability method. Deferred tax assets should be recognised when it is probable that sufficient taxable profit will be available against which the deferred tax assets can be utilised. Previously a deferred tax liability was recognised for timing differences only to the extent that a tax liability was expected to materialise in the foreseeable future. The new accounting policy has been applied retrospectively by adjusting the opening balances of accumulated profits at 1 January 2001 and 2002; comparatives have been adjusted. Further details are set out in Note 23.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2002

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Basis of Consolidation

The financial year of the Company and all its subsidiary companies ends on 31 December and the consolidated financial statements incorporate the financial statements of the Company and all its subsidiary companies, after the elimination of all material intercompany transactions. The equity and net profit attributable to minority shareholders' interests are shown separately in the consolidated balance sheet and consolidated profit and loss account, respectively.

The results of subsidiary companies acquired or disposed of during the year are included in or excluded from the respective dates of acquisition or disposal, as applicable. Acquisitions of subsidiaries are accounted for using the purchase method of accounting.

Assets, liabilities and results of overseas subsidiary companies are translated into Singapore dollars on the basis outlined in paragraph (t) below.

(d) Revenue Recognition

Revenues from trading sales are recognised upon transfer of title to the customer which generally coincides with their delivery and acceptance.

Rental income from properties is recognised on a straight-line basis over the lease term.

Revenues from contracts are recognised on the percentage of completion method. Any losses are provided for as and when they become known.

(e) Associated and Subsidiary Companies

The Group treats as associated companies those active trading companies in which it has a long-term equity interest of between 19% and 50% and has board representation. The financial years of some of the associated companies are not co-terminous with that of the Company. In the case of the associated companies whose financial years are not co-terminous, the share of profits or losses is arrived at from the last audited financial statements available and unaudited management accounts to the end of the financial year.

In the Group's financial statements, the Group's share of results and reserves of associated companies acquired or disposed of are included in the consolidated financial statements from the date of acquisition or up to the date of disposal or cessation of significant influence.

In the Company's financial statements, dividends received from subsidiary and associated companies are credited to the profit and loss account. Investments in subsidiary and associated companies are restated annually at their attributable net assets. Any surpluses or deficits resulting from this are credited or charged to non-distributable reserves. Net deficits, to the extent that they exceed the amount standing in the non-distributable reserves, are charged to distributable reserves via the profit and loss account. Where necessary, provisions have been made against amounts due from subsidiary and associated companies.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2002

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Investment Properties

Investment properties are those properties which have been completed and are held on a long-term basis for their investment potential and income.

Investment properties of the Group are revalued annually by the directors, based on independent professional valuation on an open market value basis. Any surpluses or deficits on revaluation are credited or charged to the asset revaluation reserve. Net deficits, to the extent that they exceed the amount standing in the asset revaluation reserve, are charged to distributable reserves via the profit and loss account. Any surplus may be credited to the profit and loss account to the extent of the amount previously charged to the profit and loss account.

On disposal of an investment property, the difference between the carrying amount and the proceeds of disposal, net of expenses, is recognised in the profit and loss account. Any surplus standing in the asset revaluation reserve is credited to distributable reserves via the profit and loss account.

(g) Fixed Assets

Fixed assets are stated at cost or valuation less accumulated depreciation and any impairment in value. Revaluations are made with sufficient regularity to ensure that their carrying amount does not differ materially from their fair value at the balance sheet date.

Any surpluses or deficits on revaluation are credited or charged to the asset revaluation reserve. Net deficits, to the extent that they exceed the amount standing in the asset revaluation reserve, are charged to distributable reserves via the profit and loss account. Any surplus may be credited to the profit and loss account to the extent of the amount previously charged to the profit and loss account.

Leases with unexpired terms of over 100 years are classified as long leaseholds; those under 100 years are classified as leaseholds.

No depreciation is provided on freehold/long leasehold land and capital work-in-progress.

Depreciation is calculated on other fixed assets on a straight-line basis over the estimated useful life of the asset as follows:

Leasehold land	- over term of lease
Leasehold buildings	- lower of term of lease and 50 years
Freehold/long leasehold buildings	- 50 years
Light plant and machinery	- 2 to 10 years
Heavy plant and machinery	- 11 to 15 years
Motor vehicles and other assets	- 2 to 5 years

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of fixed assets. An assessment of the carrying value of fixed assets is made when there are indications that the assets have been impaired or the impairment losses recognised in prior years no longer exist.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2002

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Intangibles

Goodwill

Goodwill represents the excess of the consideration over the fair value of identifiable net assets of a subsidiary or associated company at the date of acquisition. Goodwill is amortised on a straight-line basis, through the consolidated profit and loss account, over its economic useful life up to a maximum of 20 years. The estimated useful life is revised for impairment when events or changes in circumstances indicated that the carrying value may not be recoverable. Goodwill is stated at cost less accumulated amortisation and any impairment.

Trademark

The licence fees for the trademark are amortised over the respective licence periods.

Deferred Expenditure

Deferred expenditure is stated at cost less amortisation. It includes development expenditure attributable to major projects whose technical feasibility and commercial viability are reasonably assured. Amortisation is charged over three years up to a maximum of 20 years commencing from the first year of commercial production or operations.

The carrying values of trademark and deferred expenditure are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

(i) Investments

Quoted short-term investments are stated at the lower of average cost and market value.

Other investments held on a long-term basis are stated at cost. Provision is made for any decline other than temporary in the value of the investment.

Dividend income is accrued on the basis of the dates dividends are declared by the investee company. Interest income is accrued on a day-to-day basis.

(j) Stocks and Work-In-Progress

Stocks are stated at the lower of cost and net realisable value. The cost of all stocks is determined on a weighted average basis.

Work-in-progress is stated at cost less progress payments received or receivable on account. Cost is made up of materials, labour and a proportion of overhead expenses.

Profits accruing on work-in-progress are accounted for on a percentage of completion basis and when the work has progressed to such a stage that profit can reasonably be recognised. Percentage of completion is measured by reference to the proportion of costs incurred to the estimated total costs of the contract with adjustments made to include only those costs that reflect work performed. Provision is made for all anticipated losses on work-in-progress.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2002

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Trade and Other Debtors

Trade and other debtors, which generally have 30-90 days term, are carried at original invoiced amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Receivables from related parties are recognised and carried at cost less an allowance for any uncollectible amounts.

(l) Cash and Cash Equivalents

Cash and cash equivalents are defined as cash on hand and at bank, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of change in value.

Cash on hand and in banks and short-term deposits which are held to maturity are carried at cost.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash on hand and deposits in banks, net of unsecured short-term borrowings.

(m) Impairment

The carrying amounts of the Group's assets, other than stocks, work-in-progress (Note 2(j)) and debtors (Note 2(k)), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. All impairment losses are recognised in the profit and loss account whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. All reversals of impairment are recognised in the profit and loss account.

(n) Trade and Other Creditors

Liabilities for trade and other amounts payable which are normally settled on 30-60 days term, are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company or the Group.

Payables to related parties are carried at cost.

(o) Accounting For Leases

Operating lease payments are charged to the profit and loss account on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2002

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Loans and Borrowings

Loans and borrowings are initially recognised at cost net of transaction costs associated with the borrowing or loan.

(q) Capitalisation of Borrowing Costs

Borrowing costs are capitalised when incurred specifically to prepare the assets for their intended use or sale. Borrowing costs incurred for buildings are capitalised until the assets are ready for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

(r) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

A provision for warranty is recognised for all products under warranty at the balance sheet date. The provision is calculated based on service history.

(s) Deferred Taxation

Deferred taxation is accounted for under the balance sheet liability method, providing for all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiary and associated companies and interests in joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Deferred tax is charged or credited directly to equity if the tax relates to items that are charged or credited, in the same or a different period, directly to equity.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2002

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) Foreign Currencies

Foreign currency monetary assets and liabilities are translated into the respective measurement currencies at rates of exchange which approximate those ruling at balance sheet date and transactions during the year are recorded in the respective measurement currencies at the rates ruling at the time of the transactions. Exchange differences arising from the translation of long-term inter-company balances which are effectively part of net investments are taken directly to foreign currency translation reserves. Other exchange differences are dealt with in the profit and loss account.

For inclusion in the consolidated financial statements, all assets, liabilities and results of foreign subsidiary and associated companies are translated into Singapore dollars at exchange rates ruling at balance sheet date. Exchange differences due to such currency translations are included in the Group's foreign currency translation reserves.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the acquiring entity and are recorded at the exchange rate at the date of the transaction.

(u) Employee Benefits

Pension Obligations

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. As required by law, the Group's companies in Singapore make contributions to the state pension scheme, the Central Provident Fund (CPF). Contributions to national pension schemes are recognised as compensation expense in the same period as the employment that gives rise to the contribution.

Equity Compensation Benefits

The Company also operates two share options schemes – the United Engineers Executives' Share Option Scheme (ESOS) and the United Engineers Share Option Scheme 2000 (Scheme 2000) to grant non-transferable options. The ESOS was terminated with the implementation of Scheme 2000, but all outstanding options granted under ESOS will continue to be exercisable and administered in accordance with the rules of ESOS. There are no charges to earnings upon the grant or exercise of the options because the exercise price equals the average of the last dealt prices over the 3 consecutive trading days immediately preceding the date of grant.

Employee Leave Entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for leave as a result of services rendered by employees up to the balance sheet date.

(v) Derivative financial instruments

The Group uses derivative financial instruments such as interest rate swaps and foreign exchange forward contracts to hedge its risks associated primarily with interest rate and foreign currency fluctuations. It is the Group's policy not to trade in derivative financial instruments. The foreign exchange forward contracts entered into by the Group are recorded and disclosed as off-balance sheet items at their notional principal amounts. Details of the Group's financial risk management objectives and policies are set out in Note 28.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2002

3 DIVIDEND INCOME

	GROUP		COMPANY	
	2002 \$000	2001 \$000	2002 \$000	2001 \$000
Gross dividend income from:				
– unquoted equity investments	49	114	49	50
– unquoted associated company	–	–	2,540	–
– unquoted subsidiary companies	–	–	22,761	–
	49	114	25,350	50

4 OPERATING PROFIT

Operating profit is arrived at after charging/(crediting):

Amortisation of deferred expenditure	–	242	–	–
Amortisation of goodwill	229	–	–	–
Amortisation of trademark	116	119	–	–
Auditors' remuneration				
– auditors of the Company	335	303	68	71
– other auditors	21	8	–	–
Bad trade debts written off	146	74	–	–
Bad non-trade debts written back	(87)	–	–	–
Cost adjustment on sale of residential apartments	539	(4,455)	400	(4,455)
Depreciation of fixed assets	7,724	7,739	1,100	1,157
Directors' fees	211	159	211	159
Directors' remuneration in respect of full-time employment	447	1,131	447	1,131
Fees paid to a company in which a director has deemed interest	240	240	240	240
Gain on disposal of fixed assets	(138)	(148)	7	(55)
Loss/(gain) on foreign exchange differences	3,045	(359)	1,506	(28)
Non-audit fees paid to auditors for professional services	281	250	101	131
Provision for diminution in value of unquoted equity investments	1,182	145	–	–
Provision for doubtful non-trade debts	39	37	–	–
Provision for doubtful trade debts	7,123	908	121	58
Provision for doubtful trade debts written back	(424)	(534)	–	–
Provision for project costs over-run	2,035	800	–	–
Provision for project costs over-run written back	(80)	(2,830)	–	–
Provision for stocks obsolescence	1,359	759	–	–
Provision for amount receivable from an associated company	–	20	–	20
Staff costs				
– Salaries, wages, bonuses and other costs	64,963	63,156	2,905	2,190
– Central Provident Fund and other defined contribution plans	4,529	4,727	362	329
Stocks written off	475	–	–	–
Write back of bad trade debts previously written off	(16)	(10)	–	–
Writeback of stocks previously written off	(4)	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2002

5 EXCEPTIONAL ITEMS

	GROUP		COMPANY	
	2002 \$000	2001 \$000	2002 \$000	2001 \$000 (Restated)
Deficit on revaluation of investment properties	(876)	–	–	–
Gain on completion of disposal of pharmaceutical retail business	–	400	–	–
Loss on disposal of associated companies	–	(26)	–	–
Gain on disposal of other investments	1,342	–	1,342	–
Provision for diminution in value of associated companies	–	–	(1)	1
Provision for diminution in value of deferred expenditure	–	(1,655)	–	–
Provision for diminution in value of unquoted investments	*(1,182)	(145)	–	–
Revaluation adjustment in value of investment in subsidiary companies	–	–	(7,109)	(1,307)
Waiver of intercompany loan to a subsidiary company	–	–	(10,000)	–
	(716)	(1,426)	(15,768)	(1,306)

*The provision represents the write down of certain of the Group's long term unquoted equity investments. The directors have decided to provide for the diminution in value on grounds of prudence after considering the profitability prospects and the net tangible assets of these investments.

6 INTEREST INCOME AND INTEREST EXPENSE

Interest income				
– deposits with banks and financial institutions	1,176	1,618	20	67
– associated companies	440	472	–	–
– subsidiary companies	–	–	1,113	302
– others	36	55	9	–
	1,652	2,145	1,142	369
Interest expense				
– term loans	(6,987)	(13,699)	(4,917)	(10,292)
– bank overdrafts	(364)	(284)	–	(1)
– trade facilities	(6)	(183)	–	–
– others	(311)	(14)	(264)	–
	(7,668)	(14,180)	(5,181)	(10,293)

7 REMUNERATION BANDS OF DIRECTORS OF THE COMPANY

	COMPANY	
	2002	2001
Number of directors of the Company in remuneration bands of:		
– Above \$500,000	–	1
– \$250,000 to \$499,999	1	1
– Below \$250,000	5	5
	6	7

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2002

8 TAXATION

	GROUP		COMPANY	
	2002 \$000	2001 \$000 (Restated)	2002 \$000	2001 \$000
Provision for current taxation in respect of profit for the year	5,095	5,582	6,337	1,217
Under provision in respect of prior years	2,164	–	1,928	–
Share of taxation of associated companies	484	(38)	–	–
	7,743	5,544	8,265	1,217
Deferred taxation (written back)/charge	(228)	501	–	–
	7,515	6,045	8,265	1,217

The income tax expense on the results for the financial year varies from the amount of income tax determined by applying the Singapore standard rate of income tax to profit before tax due to the following factors:

	GROUP		COMPANY	
	2002 %	2001 %	2002 %	2001 %
Applicable tax rate	22.0	24.5	22.0	24.5
Tax effect of:				
Expenses not deductible for tax purposes	9.5	23.1	8.1	8.4
Revaluation adjustments in value of investment in subsidiary companies	–	–	8.5	4.3
Waiver of intercompany loan to a subsidiary company	–	–	11.9	–
Income not subject to tax	(10.8)	(13.5)	(1.7)	(0.3)
Utilisation of capital allowances/tax losses	(12.6)	(15.0)	(15.5)	(21.8)
Losses of foreign subsidiaries/additional foreign tax	5.4	6.4	1.1	1.3
Losses of subsidiaries not available for set-off against profit of other companies within the Group	1.2	4.1	–	–
Under provision of income tax in respect of prior years	6.0	–	10.4	–
Effective tax rate	20.7	29.6	44.8	16.4

Tax losses of \$8,135,000 (2001: \$6,827,000) for the Group have been utilised during the year. There are unabsorbed tax losses estimated at \$34,367,000 for the Group (2001: \$39,660,000). These losses and unutilised capital allowances of \$11,422,000 (2001: \$5,149,000) for the Group are available for set-off against future assessable income subject to agreement with the tax authorities on the relevant tax regulations. No credit has been recognised in the financial statements for these losses.

9 EARNINGS PER STOCK UNIT

Basic earnings per share (EPS) is calculated by dividing group profit attributable to ordinary stockholders of \$19,698,000 (2001: \$13,766,000) and after deducting preference dividends of \$51,000 (2001: \$51,000) by the weighted average number of ordinary shares in issue during the period of 206,049,898 (2001: 205,724,912).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2002

9 EARNINGS PER STOCK UNIT *(continued)*

Diluted EPS is calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of dilutive options).

	2002	2001
Existing number of ordinary shares applicable to basic earnings per share	206,049,898	205,724,912
Effect of dilutive securities: Share options	708,860	942,472
Adjusted number of ordinary shares applicable to diluted earnings per share	206,758,758	206,667,384

As detailed in Note 23, the Group changed its accounting policy with respect to accounting for deferred taxation in accordance with SAS 12. For comparative purposes, the EPS and diluted EPS at 31 December 2001, both previously reported at 6.8 cents take into account the prior year adjustments.

10 INVESTMENT PROPERTIES

	GROUP		COMPANY	
	2002	2001	2002	2001
	\$000	\$000	\$000	\$000
(a) Long leasehold land and buildings				
At 1 January	520,000	600,000	520,000	600,000
Cost adjustments	(400)	4,455	(400)	4,455
Revaluation deficit	(19,600)	(84,455)	(19,600)	(84,455)
At 31 December	500,000	520,000	500,000	520,000
(b) Leasehold land and buildings				
At 1 January	162,000	150,000	–	–
Additions	–	2,170	–	–
Cost adjustments	(139)	–	–	–
Transfers from fixed assets/work-in-progress	–	24,476	–	–
Revaluation deficit*	(4,061)	(14,646)	–	–
At 31 December	157,800	162,000	–	–
At directors' valuation	657,800	682,000	500,000	520,000
* Minority interest's share of revaluation deficit	264	1,519	–	–

Investment properties were stated at directors' valuation at their open market values as at the end of the year based on independent professional valuations carried out by DTZ Debenham Tie Leung (SEA) Pte Ltd and Knight Frank Pte Ltd for the long leasehold land and buildings and the leasehold land and buildings respectively at 31 December 2002.

The investment properties in (b) have been mortgaged to secure certain term loan facilities obtained to partially finance their developments (Note 20).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2002

11 FIXED ASSETS

	FREEHOLD LAND AND BUILDINGS \$000	LONG LEASEHOLD LAND AND BUILDINGS \$000	LEASEHOLD LAND AND BUILDINGS \$000	CAPITAL WORK-IN- PROGRESS \$000	PLANT AND MACHINERY \$000	MOTOR VEHICLES AND OTHER ASSETS \$000	TOTAL \$000
GROUP							
Cost and Valuation							
At 31 December 2001							
Cost	3,835	230	19,448	10	20,576	37,905	82,004
Valuation, 1981*	–	2,466	–	–	–	–	2,466
	3,835	2,696	19,448	10	20,576	37,905	84,470
Currency realignment	192	–	(239)	–	(1,110)	(339)	(1,496)
Reclassification	–	–	–	–	18,113	(18,113)	–
Revaluation deficit	–	(2,222)	–	–	–	–	(2,222)
Additions	35	–	–	7,156	3,727	2,285	13,203
Disposals	(234)	–	(32)	–	(3,667)	(2,101)	(6,034)
Acquisition of subsidiary company							
– at cost	130	–	–	–	8,320	945	9,395
– at valuation	–	–	–	–	4,650	60	4,710
At 31 December 2002	3,958	474	19,177	7,166	50,609	20,642	102,026
Representing:							
Cost	3,958	230	19,177	7,166	45,959	20,582	97,072
Valuation, 2002*	–	244	–	–	4,650	60	4,954
At 31 December 2002	3,958	474	19,177	7,166	50,609	20,642	102,026
Accumulated depreciation							
At 31 December 2001	445	49	7,067	–	14,056	26,193	47,810
Currency realignment	25	(1)	(83)	–	(606)	(248)	(913)
Reclassification	–	–	–	–	12,720	(12,720)	–
Charge for the year	63	4	806	–	4,480	2,566	7,919
Disposals	(234)	–	(9)	–	(2,966)	(1,778)	(4,987)
Acquisition of subsidiary company	–	–	–	–	6,114	699	6,813
At 31 December 2002	299	52	7,781	–	33,798	14,712	56,642
Charge for 2001	–	63	829	–	1,455	5,432	7,779
Net book value							
At 31 December 2002	3,659	422	11,396	7,166	16,811	5,930	45,384
At 31 December 2001	3,390	2,647	12,381	10	6,520	11,712	36,660

NOTES TO THE FINANCIAL STATEMENTS

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11 FIXED ASSETS (continued)

*These fixed assets were revalued by the directors based on professional appraisals by independent valuers.

Certain fixed assets and capital work-in-progress with a total book value of \$5,181,000 (2001: \$3,788,000) and \$7,156,000 (2001: Nil) respectively have been mortgaged to secure the Group's bank borrowings and term loan facilities of certain subsidiary companies (Notes 18 and 20).

	LEASEHOLD LAND AND BUILDINGS \$000	MOTOR VEHICLES AND OTHER ASSETS \$000	TOTAL \$000
COMPANY			
Cost			
At 31 December 2001	8,419	5,511	13,930
Additions	–	118	118
Disposals	–	(724)	(724)
At 31 December 2002	8,419	4,905	13,324
Accumulated depreciation			
At 31 December 2001	4,888	3,794	8,682
Charge for the year	448	652	1,100
Disposals	–	(716)	(716)
At 31 December 2002	5,336	3,730	9,066
Charge for 2001	448	709	1,157
Net book value			
At 31 December 2002	3,083	1,175	4,258
At 31 December 2001	3,531	1,717	5,248

	GROUP		COMPANY	
	2002 \$000	2001 \$000	2002 \$000	2001 \$000
Net interest expense capitalised in fixed assets during the year	72	95	–	–
The depreciation charge for the year in profit and loss accounts is as follows:				
Depreciation for the year	7,919	7,779	1,100	1,157
Current year's depreciation included in fixed assets/work-in-progress /deferred expenditure	(195)	(40)	–	–
Charged to profit and loss accounts	7,724	7,739	1,100	1,157

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12 SUBSIDIARY COMPANIES

	COMPANY	
	2002 \$000	2001 \$000 (Restated)
Unquoted shares at cost	220,841	192,341
Loans receivable	121,433	112,360
Amounts receivable	16,355	14,693
Amounts payable	(19,677)	(19,496)
	338,952	299,898
Revaluation adjustment to restate cost to Company's share of attributable net assets	(46,233)	(39,124)
	292,719	260,774

Amounts receivable and payable are mainly non-trade in nature, interest-free and are not expected to be repayable within the next twelve months.

The subsidiary companies as at 31 December 2002 are as follows:

NAME OF COMPANY	PRINCIPAL ACTIVITIES (PLACE OF BUSINESS) ^①	COST		PERCENTAGE OF EQUITY HELD BY THE GROUP	
		2002 \$000	2001 \$000	2002 %	2001 %
Incorporated in Singapore					
Apex Pharmacy International Pte Ltd	Pharmaceutical and healthcare products	2,890	2,890	51	51
APG Engineers Pte Ltd	Specialist engineering works	— [#]	—	60	—
Asia Travel Service Private Limited	Dormant	445	445	100	100
Bu-Land Pte Ltd	Renovation contractors	133	133	85	85
Delichem Pte Ltd	Specialty chemical products	3,993	3,993	100	100
Goldearth Construction Pte Ltd	Dormant	309	309	85	85
Grafton Laboratories Private Limited	Dormant	410	410	100	100

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2002

12 SUBSIDIARY COMPANIES (continued)

NAME OF COMPANY	PRINCIPAL ACTIVITIES (PLACE OF BUSINESS) ^①	COST		PERCENTAGE OF EQUITY HELD BY THE GROUP	
		2002	2001	2002	2001
		\$000	\$000	%	%
Incorporated in Singapore (continued)					
Grafton Pharmasia Pte Ltd	Distribution of pharmaceutical products	564	564	56.7	56.7
Greatearth Construction Pte Ltd	Building contractors	15,850	3,850	85	85
Greatearth Developments Pte Ltd	Property development and leasing	— [#]	— [#]	92.5	92.5
Greatearth Holding Pte Ltd	Investment holding	3,038	3,038	85	85
KM Systems Pte Ltd	Dormant	2,162	1,590	100	74
Maxdin Pte Ltd	Property investment	3	3	85	85
McAlister and Company, Limited	Steel fabrication (Singapore, Malaysia and Hong Kong)	29,023	29,023	100*	100*
Medical Hall (1996) Pte Ltd	Dormant	764	764	100	100
MPL Pte Ltd	Broadcasting and telecommunication facilities	833	762	70	70
MPL Communications Pte Ltd	Dormant	156	156	49	49
UE Trade Corporation Pte Ltd	General traders	5,160	1,660	100	100
UE Support Services Pte Ltd	Management services	41	41	100*	100*
UE Ville Developments Pte Ltd	Property development and leasing	1,000	1,000	100	100

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2002

12 SUBSIDIARY COMPANIES (continued)

NAME OF COMPANY	PRINCIPAL ACTIVITIES (PLACE OF BUSINESS) ^①	COST		PERCENTAGE OF EQUITY HELD BY THE GROUP	
		2002	2001	2002	2001
		\$000	\$000	%	%
Incorporated in Singapore (continued)					
UE-Tradetec (Singapore) Pte Ltd	Supply of machinery, equipment and metal products	5,270	1,770	100*	100*
UMC ServiceMaster Pte Ltd	Support management facilities	800	800	100	100
United Engineers Developments Pte Ltd	Property facilities management and leasing	40,000	25,000	100*	100*
United Engineers (Singapore) Private Limited	Mechanical, electrical and environmental engineering (Singapore and Brunei)	80,000	70,000	100*	100*
United Highway Corporation Pte Ltd	Dormant	450	450	100	100
United Infrastructure Pte Ltd	Investment holding	44,578	44,578	62*	62*
United MediCorp Pte Ltd	Investment holding	18,064	18,064	100*	100*
United Power Corporation (Singapore) Pte Ltd	Investment holding	71,690	71,690	42	42
United Tech Park Pte Ltd	Warehouse complex	42,266	42,266	90	90
UWB Pte Ltd	Engineering services	1,084	1,084	100	100
Incorporated in Malaysia					
^② APG Geo-System Sdn Bhd	Specialists geo-technical foundation engineering (Malaysia)	4,097	—	60	—

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2002

12 SUBSIDIARY COMPANIES (continued)

NAME OF COMPANY	PRINCIPAL ACTIVITIES (PLACE OF BUSINESS) ^①	COST		PERCENTAGE OF EQUITY HELD BY THE GROUP	
		2002	2001	2002	2001
		\$000	\$000	%	%
Incorporated in Malaysia (continued)					
^② APG Systems (EM) Sdn Bhd	Specialists construction, sub-contractor for other geo-technical works (Malaysia)	48	—	60	—
^② Applied Construction & Engineering (M) Sdn Bhd	Civil, electrical, mechanical engineers and contractors (Malaysia)	2,369	348	100	100
^② Delichem Sdn Bhd	Provision of turnkey cleaning services (Malaysia)	— [#]	— [#]	100	100
^② Design Entice (M) Sdn Bhd	Fabrication of engineering design works (Malaysia)	— [#]	— [#]	100	100
^② GE Construction Sdn Bhd	Building contractors (Malaysia)	162	162	85	85
^② McAlister Engineering Sdn Bhd	Freight tank containers and other steel products (Malaysia)	6,939	6,939	66	66
^② McAlister Holdings (Malaysia) Sdn Bhd	Dormant	60	60	100	100
^② McAlister Trading (Malaysia) Sdn Bhd	Dormant	100	100	100	100
^② MHL ServiceMaster Sdn Bhd	Investment holding (Malaysia)	89	89	100	100
^② UMC ServiceMaster Sdn Bhd	Support management facilities (Malaysia)	1,669	1,669	100	100

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2002

12 SUBSIDIARY COMPANIES (continued)

NAME OF COMPANY	PRINCIPAL ACTIVITIES (PLACE OF BUSINESS) ^①	COST		PERCENTAGE OF EQUITY HELD BY THE GROUP	
		2002	2001	2002	2001
		\$000	\$000	%	%
Incorporated in Brunei					
KMS (B) Sdn Bhd	Members' voluntary winding-up	90	90	90	67
^② United Engineers (B) Sdn Bhd	Civil, electrical, mechanical engineers and contractors (Brunei)	4,500	4,500	90	90
Incorporated in Hong Kong					
^② Goodman Medical Supplies Limited	Medical equipment (Hong Kong)	7,954	7,954	100	100
^② Huge Right Industries Limited	Investment holding (Hong Kong)	646	646	100	100
^② ServiceMaster Hong Kong Limited	Support management facilities (Hong Kong)	640	640	100	100
^② Uniteers (Hong Kong) Limited	Investment holding (Hong Kong)	— [#]	— [#]	100*	100*
Incorporated in Indonesia					
^② PT. United Engineers Indonesia	Fabrication of steel structures (Indonesia)	1,968	1,968	60*	60*
^② PT. UE Sentosa	Engineering and construction projects (Indonesia)	499	499	60	60
Incorporated in Taiwan					
^② UMC ServiceMaster Taiwan Limited	Support management facilities (Taiwan)	1,668	1,668	100	100

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2002

12 SUBSIDIARY COMPANIES (continued)

NAME OF COMPANY	PRINCIPAL ACTIVITIES (PLACE OF BUSINESS) ^①	COST		PERCENTAGE OF EQUITY HELD BY THE GROUP	
		2002 \$000	2001 \$000	2002 %	2001 %
Incorporated in Myanmar					
^③ UE Myanmar Limited	General traders (Myanmar)	143	143	100	100
^③ MPL International Limited	Telecommunication and broadcasting industries (Myanmar)	128	128	70	70
Incorporated in Bangladesh					
^③ UE Trade Corporation (Bangladesh) Pte Ltd (formerly known as UE Bangladesh Pte Ltd)	General traders (Bangladesh)	106	106	100	100
Incorporated in India					
^⑥ UE Trade Corporation (India) Private Limited	Import, export, procurement, trading & distribution (India)	117	–	100	–
Incorporated in Thailand					
^③ Delichem (Thailand) Company Limited	Specialty chemical products (Thailand)	114	114	100	100
Incorporated in Cambodia					
^④ United Media Limited	Dormant	620	620	70	70
^④ Media Services Limited	Dormant	9	9	70	70
Incorporated in The People's Republic of China					
^② Anhui Anxin Energy Co. Ltd	Engineering services (The People's Republic of China)	1,207	1,207	100	100

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2002

12 SUBSIDIARY COMPANIES (continued)

NAME OF COMPANY	PRINCIPAL ACTIVITIES (PLACE OF BUSINESS) ^①	COST		PERCENTAGE OF EQUITY HELD BY THE GROUP	
		2002	2001	2002	2001
		\$000	\$000	%	%
Incorporated in The People's Republic of China (continued)					
^⑥ Dalian Xinwei Metalform Products Co Limited	Dormant	2,739	2,739	60	60
^⑥ Park Avenue Management Services (Shanghai) Co Ltd	Provision of services as project and business managers of buildings, apartments, hotels, shopping centres and other properties (The People's Republic of China)	7,101	–	100	–

* Direct subsidiary companies of United Engineers Limited

The cost of unquoted equity shares is less than \$1,000

^① Place of business in Singapore unless otherwise stated

^② Audited by associated firms of Ernst & Young, Singapore

^③ Audited by technical assistance firm of Ernst & Young

^④ Not statutorily required to be audited

^⑤ Audited by S.F. Ahmed & Co, Bangladesh

^⑥ Audited by S.R. Batliboi & Associates, India

^⑦ Audited by Anhui Huapu CPA, The People's Republic of China

^⑧ Audited by Dalian Lianxin CPA, The People's Republic of China

^⑨ Audited by Shanghai Chang Xin CPA, The People's Republic of China

Effect of acquisition

The effect of the acquisition of APG Geo-System Sdn Bhd (APG) on the financial position of the Group at 31 December 2002 and its results for the year is shown below:

	\$000
Total assets	19,695
Total liabilities	12,445
For period from 1 April 2002 to 31 December 2002	
– turnover	15,777
– profit before tax	766
– profit after tax	814

APG's profit after tax for the period from 1 April 2002 to 31 December 2002 has been included in the results for the Group for the year ended 31 December 2002.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2002

13 ASSOCIATED COMPANIES

	GROUP		COMPANY	
	2002 \$000	2001 \$000	2002 \$000	2001 \$000
Unquoted equity shares				
At valuation based on share of attributable net assets	–	–	6,772	8,224
At cost	123,747	123,747	–	–
Goodwill on acquisition	(3,034)	(3,034)	–	–
Currency realignment	9,649	17,036	–	–
Share of net post acquisition reserves	11,316	3,844	–	–
	141,678	141,593	6,772	8,224
Provision for diminution in value	(2,632)	(2,632)	–	–
	139,046	138,961	6,772	8,224
Loans receivable	8,727	8,727	–	–
Amounts receivable	5,725	5,277	86	86
	14,452	14,004	86	86
Provision for diminution in value	(128)	(128)	–	–
Provision for amounts receivable	(392)	(392)	(86)	(86)
	13,932	13,484	–	–
	152,978	152,445	6,772	8,224

Amounts receivable are mainly non-trade in nature.

(a) Provision for receivables from associated companies

Balance at 1 January	392	372	86	66
Charged to profit and loss account	–	20	–	20
Balance at 31 December	392	392	86	86

The associated companies as at 31 December 2002 are as follows:

NAME OF COMPANY	PRINCIPAL ACTIVITIES (PLACE OF BUSINESS) ^①	COST		PERCENTAGE OF EQUITY HELD BY THE GROUP	
		2002 \$000	2001 \$000	2002 %	2001 %
Incorporated in Singapore					
Lycorp Investment Pte Ltd	Investment holding	138	138	19	19
United Wearnes Technology Pte Ltd	Investment holding, manufacturing and marketing of plastic components, flexible and rigid circuit boards and connectors	9,200	9,200	40	40

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2002

13 ASSOCIATED COMPANIES (continued)

NAME OF COMPANY	PRINCIPAL ACTIVITIES (PLACE OF BUSINESS) ^①	COST		PERCENTAGE OF EQUITY HELD BY THE GROUP	
		2002	2001	2002	2001
		\$000	\$000	%	%
Incorporated in Malaysia					
Apex Pharmacy Holdings Sendirian Berhad	Investment holding (Malaysia)	5,003	5,003	30	30
Asia Travel Service (Malaysia) Sdn Bhd	Dormant	40	40	30	30
BHP Steel Lysaght (Malaysia) Sdn Bhd (formerly known as BHP Steel Building Products (Malaysia) Sdn Bhd)	Steel roofings (Malaysia)	160	160	40	40
Hicom-Selangor Marine Management Sdn Bhd	In process of liquidation	28	28	29	29
Taipan Asia Travel (M) Sdn Bhd	Travel agents (Malaysia)	189	189	23	23
Incorporated in The People's Republic of China					
Anhui Hefei United Power Generation Company Limited	Development and operation of a power generation plant (The People's Republic of China)	105,106	105,106	20	20
Incorporated in Taiwan					
Hwa Tech Industrial & Development Corp.	Dormant	3,903	3,903	26	26
Incorporated in Cambodia					
United Engineers (Cambodia) Pte Ltd	Deregistered	— [#]	— [#]	48	48

[#] The cost of unquoted equity shares is less than \$1,000

^① Place of business in Singapore unless otherwise stated

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2002

14 OTHER INVESTMENTS

	GROUP		COMPANY	
	2002 \$000	2001 \$000	2002 \$000	2001 \$000
Quoted shares at cost less provision of \$5,815,000 (2001: \$5,815,000)	–	–	–	–
Unquoted shares at cost less provision of \$1,182,000 (2001: \$145,000)	2,787	5,020	2,098	2,767
	2,787	5,020	2,098	2,767
Market value of quoted shares	1	1	–	–

ANALYSIS OF PROVISION FOR DIMINUTION IN VALUE

Unquoted shares

Balance at 1 January	145	–	–	–
Charged to profit and loss account	1,182	145	–	–
Provision written off	(145)	–	–	–
Balance at 31 December	1,182	145	–	–

15 INTANGIBLES

(a) Trademark

A licence fee is paid to ServiceMaster Company Limited Partnership for the use of the word and trademark "ServiceMaster" in all marketing and performance of the support management services.

	GROUP	
	2002 \$000	2001 \$000
Cost		
Balance at 1 January	2,223	2,148
Currency realignment	(66)	75
Balance at 31 December	2,157	2,223
Accumulated amortisation		
Balance at 1 January	1,257	1,105
Currency realignment	(33)	33
Amortisation for the year	116	119
Balance at 31 December	1,340	1,257
Unamortised amount		
Balance at 31 December	817	966

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2002

15 INTANGIBLES (continued)

	GROUP	
	2002 \$000	2001 \$000
(b) Goodwill		
Additions	688	–
Amortisation for the year	(229)	–
Balance at 31 December	459	–
(c) Deferred Expenditure		
Additions	–	1,897
Amortisation for the year	–	(242)
	–	1,655
Provision for impairment	–	(1,655)
Balance as at 31 December	–	–
Total intangibles	1,276	966

16 STOCKS AND WORK-IN-PROGRESS

Stocks at cost

Engineering supplies and raw materials	5,240	2,811
Trading stocks	22,146	14,832
Total stocks at 31 December	27,386	17,643
Stocks are stated after deducting provision for stocks obsolescence of (Note 16a)	2,845	1,803

Work-in-progress

Costs incurred and attributable profits	429,076	457,767
Progress billings received and receivable	(404,714)	(439,835)
Excess of progress billings over work-in-progress transferred to trade creditors (Note 19)	3,111	4,055
Net progress billings	(401,603)	(435,780)
	27,473	21,987
Provision for project costs over-run (Note 16b)	(2,755)	(800)
Net work-in-progress	24,718	21,187
Included in progress billings are retention sums of	10,301	23,573
Total stocks and work-in-progress	52,104	38,830

(a) Provision for stocks obsolescence

Balance at 1 January	1,803	1,495
Currency realignment	3	23
Additions during the year	1,359	759
Stocks written off	(320)	(474)
Balance at 31 December	2,845	1,803

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2002

16 STOCKS AND WORK-IN-PROGRESS (continued)

	GROUP	
	2002 \$000	2001 \$000
(b) Provision for project costs over-run		
Balance at 1 January	800	2,830
Amount written back	(80)	(2,830)
Additions during the year	2,035	800
Balance at 31 December	2,755	800

17 DEBTORS

	GROUP		COMPANY	
	2002 \$000	2001 \$000	2002 \$000	2001 \$000
Trade debtors	129,837	99,684	1,529	1,269
Other debtors (Note 17a)	22,893	14,978	2,257	730
Provision for doubtful debts (Note 17b)				
– trade debtors	(11,189)	(3,841)	(307)	(186)
– other debtors	(1,089)	(1,050)	(53)	(53)
	140,452	109,771	3,426	1,760

(a) Other debtors comprise:

Claims/expenses recoverable	308	325	3	–
Deposits	2,703	2,368	74	75
Interest receivable	310	455	1	1
Prepayments*	13,917	3,701	32	24
Project advances	1,442	1,844	–	–
Tax refundable/advance tax	795	1,564	–	556
Proceeds from disposal of other investment	2,071	–	2,071	–
Proceeds from disposal of subsidiary companies/pharmaceutical retail business	–	579	–	–
Sundry debtors	1,347	4,142	76	74
	22,893	14,978	2,257	730

*This related mainly to purchase of trading stocks.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2002

17 DEBTORS (continued)

	GROUP		COMPANY	
	2002 \$000	2001 \$000	2002 \$000	2001 \$000
(b) Analysis of provision for doubtful debts:				
Trade debtors				
Balance at 1 January	3,841	3,897	186	128
Currency realignment	(37)	30	–	–
Charged to profit and loss account	7,123	908	121	58
Provision written back	(424)	(534)	–	–
Bad debts written off	(290)	(460)	–	–
Acquisition of subsidiary company	976	–	–	–
Balance at 31 December	11,189	3,841	307	186
Bad trade debts written off directly to profit and loss account				
	146	74	–	–
Other debtors				
Balance at 1 January	1,050	1,013	53	53
Charged to profit and loss account	39	37	–	–
Balance at 31 December	1,089	1,050	53	53
Bad non-trade debts written back				
	(87)	–	–	–

18 BANK BORROWINGS

	GROUP	
	2002 \$000	2001 \$000
Bank overdrafts:		
– secured	14,011	6,115
– unsecured	17,069	759
	31,080	6,874
Trust receipts and bills payable:		
– secured	943	80
– unsecured	22,982	16,026
	23,925	16,106
	55,005	22,980

Bank borrowings bear interest at the prevailing bank rates.

The banking facilities (which include overdrafts and trust receipts) of certain subsidiary companies are secured by mortgages on their respective properties, debentures over their other assets and corporate guarantees given by their parent companies.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2002

19 CREDITORS

	GROUP		COMPANY	
	2002 \$000	2001 \$000	2002 \$000	2001 \$000
Trade creditors and accruals	84,303	89,673	4,344	4,205
Progress billings in excess of work-in-progress (Note 16)	3,111	4,055	–	–
Deposits	7,030	6,642	4,663	4,812
Property development/purchase of fixed assets	–	56	–	–
Central Provident Fund & other defined contribution schemes	930	1,206	44	112
Interest payable	431	476	16	–
Advances from customers	1,887	–	–	–
Sundry creditors	6,042	7,591	713	708
	103,734	109,699	9,780	9,837

20 TERM LOANS

Repayable within 1 year				
– secured	4,836	4,390	–	–
– unsecured	52,780	45,200	52,100	28,200
	57,616	49,590	52,100	28,200
Repayable after 1 year				
– secured				
– within 2 years	7,240	4,000	–	–
– within 3 to 5 years	60,587	63,782	–	–
	67,827	67,782	–	–
– unsecured				
– within 3 to 5 years	185,000	185,000	185,000	185,000
	252,827	252,782	185,000	185,000
	310,443	302,372	237,100	213,200

Term loans of \$72,663,000 (2001: \$72,172,000) from banks to certain subsidiary companies are secured by mortgages on their respective properties and debentures over their assets.

Long-term loans of the Company and the Group have interest rates ranging from 1.6% to 3.6% (2001: 1.75% to 8%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2002

21 DEFERRED TAXATION

	GROUP	
	2002	2001
	\$000	\$000 (Restated)
Balance as at 1 January		
– as previously reported	704	501
– prior year adjustment (Note 23)	942	642
As restated	1,646	1,143
Currency realignment	(71)	2
(Credited)/charged to profit and loss account	(228)	501
Acquisition of new subsidiary	1,381	–
Balance as at 31 December	2,728	1,646

The deferred taxation arises as a result of:

Deferred tax liabilities

Excess of net book value over the tax written down value of fixed assets	2,136	1,231
Effect of adopting SAS 12 - unremitted offshore income	949	942

Deferred tax assets

General provisions	(14)	(107)
Other deferred tax assets	(343)	(420)
	2,728	1,646

22 SHARE CAPITAL

	GROUP AND COMPANY	
	2002	2001
	\$000	\$000
(a) Authorised:		
7½ % cumulative preference shares of \$1.00 each	875	875
Ordinary shares of \$1.00 each	499,125	499,125
	500,000	500,000
(b) Issued and fully paid:		
7½ % cumulative preference shares of \$1.00 each	875	875
Ordinary shares of \$1.00 each, converted into ordinary stock units of \$1.00 each	205,725	205,725
Share options exercised	514	–
	206,239	205,725
Balance at 31 December	207,114	206,600

The holders of ordinary and preference shares are entitled to receive dividends as and when declared by the Company. All shares carry one vote per share without restriction.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2002

22 SHARE CAPITAL (continued)

(c) Outstanding Options

As at 31 December 2002, details of unissued shares of the Company under options were as follows:

United Engineers Executives' Share Option Scheme (ESOS)

DATE OF GRANT	NO. OF SHARES UNDER OPTION GRANTED	NO. OF SHARES UNDER OPTION LAPSED	NO. OF SHARES UNDER OPTION EXERCISED	NO. OF SHARES UNDER OPTION UNEXERCISED	EXERCISE PRICE	EXERCISE PERIOD
18.11.98	3,071,393	636,793	514,479	1,920,121	\$1.00	18.8.01 to 17.10.03
18.10.99	2,751,679	657,400	–	2,094,279	\$1.19	18.7.02 to 17.9.04

United Engineers Share Option Scheme 2000 (Scheme 2000)

DATE OF GRANT	NO. OF SHARES UNDER OPTION GRANTED	NO. OF SHARES UNDER OPTION LAPSED	NO. OF SHARES UNDER OPTION EXERCISED	NO. OF SHARES UNDER OPTION UNEXERCISED	EXERCISE PRICE	EXERCISE PERIOD
6.12.00	2,534,700	121,000	–	2,413,700	\$1.14	6.12.01 to 5.12.10
5.11.01	2,967,800	103,800	–	2,864,000	\$1.01	5.11.02 to 4.11.11
4.10.02	2,409,200	24,000	–	2,385,200	\$1.07	4.10.03 to 3.10.12

23 PRIOR YEAR ADJUSTMENTS

Effective 1 January 2002, the Company adopted SAS 12, Income Tax. SAS 12 requires deferred tax to be calculated using the balance sheet liability method. Deferred tax assets should be recognised when it is probable that sufficient taxable profit will be available against which the deferred tax assets can be utilised.

	GROUP		COMPANY	
	2002 \$000	2001 \$000	2002 \$000	2001 \$000
Effect of change in accounting policy on accumulated profits:				
Retained earnings at 1 January as previously reported	49,852	42,048	82,693	82,452
Effect of adopting SAS 12	(942)	(642)	(942)	(642)
Retained earnings at 1 January restated	48,910	41,406	81,751	81,810
Effect of change in accounting policy on results for the year:				
Net profit before change in accounting policy	19,705	14,066	10,201	6,503
Effect of adopting SAS 12	(7)	(300)	(7)	(300)
Net profit for the year	19,698	13,766	10,194	6,203

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2002

24 DIVIDENDS

	GROUP AND COMPANY	
	2002	2001
	\$000	\$000
Cumulative Preference Shares:		
7½ % (2001: 7½ %) less Singapore income tax, paid	51	50
Ordinary Stock:		
Final dividend of 4 cents (2001: 4 cents) less Singapore income tax, paid	6,433	6,212
	6,484	6,262

The directors have proposed a first and final dividend of 5 cents per \$1.00 ordinary stock, less Singapore income tax, amounting to a total \$8,043,000 and a final dividend on the 7½ % cumulative preference shares of \$1.00 each, less Singapore income tax, amounting to \$51,000.

25 FUTURE CAPITAL COMMITMENTS

	GROUP	
	2002	2001
	\$000	\$000
Capital commitments not provided for in the financial statements:		
Commitments in respect of contracts placed	6,238	—
Other amounts approved by directors but not yet committed	6,843	342
	13,081	342

26 OPERATING LEASE COMMITMENTS

The Group leases certain properties and office equipment under lease agreements that are non-cancellable within a year. The lease expires at various dates till 2006 and contains provisions for rental adjustments. Future minimum lease payments for all leases with initial or remaining term of one year or more are as follows:

	GROUP		COMPANY	
	2002	2001	2002	2001
	\$000	\$000	\$000	\$000
Within one year	540	258	55	55
After one year but not more than five years	1,491	235	165	220
	2,031	493	220	275

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2002

27 RELATED PARTY TRANSACTIONS

The significant transactions between the Company and its subsidiary companies and the effects of these transactions on terms agreed among the parties are as follows:

	COMPANY	
	2002	2001
	\$000	\$000
Rental charged to subsidiary companies	(752)	(835)
Management services rendered to subsidiary companies	(517)	(635)
Interest charged to subsidiary companies	(1,112)	(302)
Services rendered by subsidiary companies	2,342	1,849

Other transactions with related parties are disclosed in various notes to the financial statements.

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Group's financial instruments are credit risk, foreign currency risk and interest rate risk.

Credit risk

The carrying amount of investments, trade and other receivables represent the Group's maximum exposure to credit risk. No other financial assets carry a significant exposure to credit risk.

The Group has no significant concentration of credit risk. Cash and deposits are placed with substantial financial institutions.

Foreign currency risk

The Group has exposure to foreign exchange risk as a result of transactions denominated in foreign currencies, arising from normal trading and investment activities. It is the Group's policy to hedge these risks through foreign currency forward exchange contracts.

In addition to transactional exposure, the Group is also exposed to foreign exchange movements on its net investment in foreign subsidiaries.

At the balance sheet date, the Group's foreign currency exposure is insignificant.

Interest rate risk

The Company's and the Group's interest rate exposure relates primarily to its investment portfolio in fixed deposits and commercial papers and the Company's long-term debt obligations. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts, including entering into interest rate swaps or buying interest rate caps.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2002

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Fair values

The carrying amounts of trade and other debtors, cash and bank borrowings, trade and other payables and short-term loans approximate their fair values due to their short-term nature.

No disclosure of fair value is made for the balances due from/to associated and related companies as these balances are not expected to be repayable within the next 12 months and it is therefore not practicable to determine their fair values.

Except for the \$50,000,000 (2001: \$50,000,000) fixed-rate debt, the fair value of all long-term financial instruments also approximate carrying value as they are based on floating interest rates and terms that continue to be available to the Group. The fair value of the fixed-rate debt, estimated using discounted cash flow analysis, is \$51,708,000 (2001: \$48,170,000).

In the directors' opinion, it is not practicable to determine the fair values of the unquoted equity investments held as long-term investments and carried at a cost of \$2,787,000 (2001: \$5,020,000). The carrying values and fair values of the long term quoted equity investments are \$Nil (2001: \$Nil) and \$1,000 (2001: \$1,000) respectively. The expected cash flow from the unquoted investments are believed to be in excess of their carrying amounts.

29 SEGMENT INFORMATION

The Group is organised into six main business segments:

1. Engineering and Construction
2. Manufacturing and Equipment
3. Healthcare Services
4. Trading and Distribution
5. Information Technology
6. Property

Other operations of the Group comprise investment management and corporate activities, neither of which constitutes a separately reportable segment.

Segment accounting policies are the same as the policies described in Note 2. The Group generally accounts for inter-segment sales and transfers as if the sales or transfers were to third parties at current market prices. Sales revenue is based on geographical location of its customers.

The following tables present revenue and profit information regarding industry segments for the years ended 31 December 2002 and 2001 and certain asset and liability information regarding industry segments at 31 December 2002 and 2001.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2002

29 SEGMENT INFORMATION (continued)

Business segments

	ENGINEERING AND CONSTRUCTION \$000	MANUF- FACTURING AND EQUIPMENT \$000	HEALTH- CARE SERVICES \$000	TRADING AND DISTRI- BUTION \$000	INFOR- MATION TECH- NOLOGY \$000	PROPERTY \$000	OTHERS \$000	ELIMI- NATION \$000	GROUP \$000
Year ended 31 December 2002									
Segment Revenue									
Sales to external customers	198,993	31,535	73,960	124,561	554	43,988	95	–	473,686
Inter-segment sales	202	594	1,387	6,117	100	1,442	1,622	(11,464)	–
Total revenue	199,195	32,129	75,347	130,678	654	45,430	1,717	(11,464)	473,686
Segment result	7,863	(880)	2,173	(2,464)	(2,102)	25,832	(4,813)	–	25,609
Finance costs									(7,668)
Finance income									1,652
Share of results of associated companies									16,769
Profit before taxation									36,362
Taxation									(7,515)
Minority interest									(9,149)
Net profit									19,698
Segment assets	146,567	36,198	47,794	56,027	406	683,571	8,812	–	979,375
Investment in associated companies	–	–	–	–	–	–	152,978	–	152,978
Total assets	146,567	36,198	47,794	56,027	406	683,571	161,790	–	1,132,353
Segment liabilities	62,395	8,179	14,884	4,308	332	12,053	1,583	–	103,734
Unallocated liabilities									374,451
Total liabilities									478,185
Other Segment Information									
Capital expenditure	668	3,612	737	458	10	7,477	102	–	13,064
Depreciation	1,403	3,378	945	449	205	999	345	–	7,724
Amortisation	229	–	116	–	–	–	–	–	345

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2002

29 SEGMENT INFORMATION (continued)

Business segments (continued)

	ENGINEERING AND CONSTRUCTION \$000	MANUF- FACTURING AND EQUIPMENT \$000	HEALTH- CARE SERVICES \$000	TRADING AND DISTRI- BUTION \$000	INFOR- MATION TECH- NOLOGY \$000	PROPERTY \$000	OTHERS \$000	ELIMI- NATION \$000	GROUP \$000
Year ended 31 December 2001									
Segment Revenue									
Sales to external customers	180,181	20,517	82,193	116,691	1,724	40,221	142	–	441,669
Inter-segment sales	748	208	1,380	–	–	1,612	1,017	(4,965)	–
Total revenue	180,929	20,725	83,573	116,691	1,724	41,833	1,159	(4,965)	441,669
Segment result	11,667	(2,715)	2,606	3,077	(3,319)	*29,000	(6,223)	–	34,093
Finance costs									(14,180)
Finance income									2,145
Share of results of associated companies									(1,643)
Profit before taxation									20,415
Taxation									(6,045)
Minority interest									(604)
Net profit									13,766
Segment assets	132,313	29,586	45,424	42,727	1,276	693,065	13,727	–	958,118
Investment in associated companies	–	–	–	–	–	–	152,445	–	152,445
Total assets	132,313	29,586	45,424	42,727	1,276	693,065	166,172	–	1,110,563
Segment liabilities	69,799	7,401	13,374	3,540	250	12,340	2,995	–	109,699
Unallocated liabilities									332,071
Total liabilities									441,770
Other Segment Information									
Capital expenditure	614	2,959	1,075	60	470	2,493	538	–	8,209
Depreciation	675	3,686	1,814	206	98	876	384	–	7,739
Amortisation	–	–	119	–	242	–	–	–	361

* Including a cost adjustment by the Inland Revenue which resulted in an increase of \$4.5 million in respect of development profit of residential apartments at UE Square which were sold in 1994.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2002

29 SEGMENT INFORMATION (continued)

Geographical segments

The following table presents revenue and expenditure information regarding geographical segments for the years ended 31 December 2002 and 2001 and certain asset information regarding geographical segments at 31 December 2002 and 2001.

	SINGAPORE \$000	OTHER ASIAN COUNTRIES \$000	ELIMINATION \$000	GROUP \$000
Year ended 31 December 2002				
Segment Revenue				
Sales to external customers	230,469	243,217	–	473,686
Inter-segment sales	11,114	350	(11,464)	–
Total revenue	241,583	243,567	(11,464)	473,686
Other geographical information:				
Segment assets	821,339	158,036	–	979,375
Capital expenditure	11,435	1,629	–	13,064
Year ended 31 December 2001				
Segment Revenue				
Sales to external customers	218,253	223,416	–	441,669
Inter-segment sales	4,965	–	(4,965)	–
Total revenue	223,218	223,416	(4,965)	441,669
Other geographical information:				
Segment assets	837,550	120,568	–	958,118
Capital expenditure	7,162	1,047	–	8,209

30 COMPARATIVE FIGURES

Certain comparative figures have been adjusted or extended to take into account the requirements of the revised accounting standard SAS 12: Income Taxes, which the Group implemented with effect from 1 January 2002, as disclosed in Note 2 and Note 23. Where necessary, comparatives have been adjusted to give retrospective effect to the adoption of the standard.

In addition, comparatives of sub-categories within Note 12 (Subsidiary Companies) and Note 19 (Creditors) have been reclassified in accordance with current year's presentation.

INFORMATION ON PREFERENCE SHAREHOLDERS AND ORDINARY SHAREHOLDERS

AS AT 10 MARCH 2003

AUTHORISED CAPITAL

875,000 7½ per cent Cumulative Preference Shares of \$1.00 each	\$ 875,000
499,125,000 Ordinary Shares of \$1.00 each	499,125,000

ISSUED AND FULLY PAID-UP CAPITAL

875,000 7½ per cent Cumulative Preference Shares of \$1.00 each	\$ 875,000
206,350,391 Ordinary Shares of \$1.00 each converted into Stock Units	206,350,391

VOTING RIGHTS

Preference Share - One vote for every member present in person or by proxy or attorney; upon a poll, one vote for each share held by every member present in person or by proxy or attorney.

Ordinary Stock - One vote for every member present in person or by proxy or attorney; upon a poll, one vote for each \$1 stock unit held by every member present in person or by proxy or attorney.

Size of Stockholdings	NUMBER OF STOCKHOLDERS			
	Preference Shares	%	Ordinary Stock	%
1 – 999	10	26.32	420	7.20
1,000 – 10,000	19	50.00	4,128	70.72
10,001 – 1,000,000	9	23.68	1,271	21.77
1,000,001 and above	-	-	18	0.31
	38	100.00	5,837	100.00

SUBSTANTIAL PREFERENCE SHAREHOLDERS AND ORDINARY STOCKHOLDERS AS SHOWN IN THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

	Preference Shares	%	Ordinary Stock	%
* Oversea-Chinese Banking Corporation Limited	9,500	1.08	-	-
The Great Eastern Life Assurance Company Limited	580,160	66.30	30,731,916	14.89
The Straits Trading Company Limited	-	-	26,609,240	12.90
WBL Corporation Limited	-	-	21,712,000	10.52
** Kambau Pte Ltd	69,000	7.88	1,197,333	0.58

* Also deemed to have an interest in :-

(1) 615,300 preference shares, of which 580,160 preference shares were held by The Great Eastern Life Assurance Company Limited, 23,500 preference shares were held by Oversea-Chinese Bank Nominees Pte Ltd and 11,640 preference shares were held by The Overseas Assurance Corporation Limited.

(2) 43,880,456 ordinary stocks, of which 30,731,916 ordinary stocks were held by The Great Eastern Life Assurance Company Limited, 6,935,394 ordinary stocks were held by Oversea-Chinese Bank Nominees Pte Ltd and 6,213,146 ordinary stocks were held by The Overseas Assurance Corporation Limited.

** Tecity Management Pte Ltd and The Tan Foundation are deemed to be interested in the preference shares and ordinary stocks held by Kambau Pte Ltd.

Note: Great Eastern Holdings Limited is deemed to have an interest in 36,945,062 ordinary stocks, of which 30,731,916 ordinary stocks were held by The Great Eastern Life Assurance Company Limited and 6,213,146 ordinary stocks were held by The Overseas Assurance Corporation Limited.

INFORMATION ON PREFERENCE SHAREHOLDERS AND ORDINARY SHAREHOLDERS

AS AT 10 MARCH 2003

COMPLIANCE WITH RULE 723 OF THE SGX-ST'S LISTING MANUAL

As at 10th March 2003, approximately 60% of the share capital of the Company was held by the public and accordingly, Rule 723 of the SGX –ST's Listing Manual has been complied with.

INTERESTS OF THE DIRECTORS

As at 21 January 2003, the details of the Directors' interests in the share capital of the Company and its subsidiary companies remained the same as those set out on earlier pages.

TEN LARGEST PREFERENCE SHAREHOLDERS

	Number of shares held	%
1. The Great Eastern Life Assurance Company Limited	580,160	66.30
2. Kambau Pte Ltd	69,000	7.89
3. Kim Eng Ong Asia Secs Pte Ltd	45,350	5.18
4. The Shaw Foundation Pte Ltd	40,000	4.57
5. Oversea-Chinese Bank Nominees Pte Ltd	23,500	2.69
6. William Tan Cheng Ju	18,420	2.10
7. Ng Lee Kiang	13,000	1.49
8. The Overseas Assurance Corporation Limited – S'pore Life Assurance Fund	11,640	1.33
9. Ng Ing Liang	11,000	1.26
10. Hatim Fidahusein Nakhoda	9,640	1.10
	821,710	93.91

TWENTY LARGEST ORDINARY STOCKHOLDERS

	Number of stock units held	%
1. The Great Eastern Life Assurance Company Limited	30,731,916	14.89
2. The Straits Trading Company Limited	26,609,240	12.90
3. WBL Corporation Limited	21,712,000	10.52
4. Oversea-Chinese Bank Nominees Pte Ltd	10,664,452	5.17
5. United Overseas Bank Nominees Pte Ltd	9,711,107	4.71
6. DBS Nominees Pte Ltd	8,637,903	4.19
7. The Overseas Assurance Corporation Limited	6,214,479	3.01
8. Capital Intelligence Limited	4,114,000	1.99
9. First Capital Investment Ltd	4,097,000	1.99
10. Singapore Investments Pte Ltd	2,656,554	1.29
11. Kota Trading Company Sendirian Berhad	2,579,432	1.25
12. Lee Foundation	2,174,597	1.05
13. Citibank Nominees Singapore Pte Ltd	1,973,796	0.96
14. Tropical Produce Company Pte Ltd	1,713,557	0.83
15. OCBC Securities Private Ltd	1,410,665	0.68
16. Selected Holdings Pte Ltd	1,237,666	0.60
17. Kambau Pte Ltd	1,197,333	0.58
18. Morph Investments Ltd	1,142,000	0.55
19. Cheong Soh Chin Julie	957,333	0.46
20. Sim Hay Lum	800,000	0.39
	140,335,030	68.01

MAJOR PROPERTIES

MAJOR PROPERTIES HELD BY THE GROUP AS AT 31 DECEMBER 2002.

Type of Property	Address	Description	Tenure of Land	Land Area	Group's effective interest	Held By	Valuation as at 31/12/2002
Residential/ Commercial/ Office Development known as UE Square (Completed)	81 & 83 Clemenceau Avenue, Singapore	15 storey block comprising of 130 units of service apartments and a 4 storey shopping podium, and an 18 storey office building with 2 basement carpark levels	929 years leasehold from 1/1/1953. Remaining lease of 879 years	355,023 sqft (32,982 sqm)	100%	United Engineers Limited	S\$500 million
Office/ Workshop/ Warehouse (Completed)	257 Jalan Ahmad Ibrahim, Singapore	3 blocks of office & industrial space	30 years leasehold from 1/2/1980. Remaining lease of 7 years	294,773 sqft (27,395 sqm)	100%	United Engineers Limited	NA
Warehouse complex known as UE Tech Park (Completed)	8 & 10 Pandan Crescent, Singapore	2 blocks of 6 storey and 5 storey warehouse	92 years 8 months leasehold from 1/10/1975. Remaining lease of 64 years	348,497 sqft (32,376 sqm)	90%	United Tech Park Pte Ltd	S\$132.5million
Residential Studio Apartments & townhouses known as Park Avenue Residences (Completed)	80 Kim Yam Road, Singapore	10 storey block with a 2/3 storey conserved building. Total of 31 apartments & 5 townhouses with basement car parks.	99 years leasehold from 12/12/1996. Remaining lease of 93 years	12,906 sqft (1,199 sqm)	100%	UE Ville Developments Pte Ltd	S\$17.5 million
4 adjoining shophouses developed into an eatery cum commercial offices (Completed)	206 – 212 South Bridge Road, Singapore	4 units of refurbished 3 storey shophouses with attic (1 corner & 3 intermediate)	999 years leasehold from 1/10/1877. Remaining lease of 873 years	5,242 sqft (487 sqm)	96.25%	Gretearth Developments Pte Ltd	S\$7.8 million
Residential Apartments (Under construction)	519 Fu Shan Road/400 Pudian Road, Pudong District, Shanghai, China	75 apartment units Stage of completion: Building structure Legal completion date: 1st quarter 2004	70 years leasehold from 8/6/2001.	65,649 sqft (6,099 sqm)	100%	United Engineers Developments Pte Ltd	NA

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Eighty-Ninth Annual General Meeting of the Company will be held at 81A Clemenceau Avenue, 5th Storey, Park Avenue Suites, UE Square, Singapore 239918, on Tuesday, 29 April 2003 at 11.30 a.m. for the following purposes:

ORDINARY BUSINESS

1. To receive and consider the Reports of the Directors and of the Auditors and the Audited Accounts for the year ended 31 December 2002.
2. (a) To declare a dividend of 7½% on the Cumulative Preference Shares, less income tax, for the year ended 31 December 2002, as recommended by the Directors.

(b) To declare a first and final dividend of 5 cents per ordinary stock, less income tax, for the year ended 31 December 2002, as recommended by the Directors.
3. To re-elect Dr Tan Eng Liang, a Director retiring under Article 99 of the Articles of Association of the Company.

Note : Dr Tan, if re-elected, will remain as an Audit Committee member, and will be considered an independent director.

4. To re-elect Mr Thai Chee Ken, a Director retiring under Article 99 of the Articles of Association of the Company.

Note : Mr Thai, if re-elected, will remain as the Audit Committee Chairman, and will be considered an independent director.

5. To consider, and if thought fit, to pass the following resolution :
"That pursuant to Section 153(6) of the Companies Act, Cap. 50 Mr Tang I-Fang be and is hereby re-appointed as Director of the Company to hold office from the date of this Annual General Meeting until the next Annual General Meeting."
6. To approve Directors' Fees of \$211,000 (2001:\$159,000).
7. To appoint Auditors and to authorise the Directors to fix their remuneration.
8. To transact any other ordinary business of which due notice shall have been given.

SPECIAL BUSINESS

9. To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution :
"That
 - (a) Pursuant to Section 161 of the Companies Act, Cap. 50 and the listing rules of the Singapore Exchange Securities Trading Limited, authority be and is hereby given to the Directors of the Company to issue shares in the Company (whether by way of rights, bonus or otherwise) at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit provided that :
 - (i) the aggregate number of shares to be issued pursuant to this Resolution does not exceed 50% of the issued share capital of the Company, of which the aggregate number of shares to be issued other than on a pro-rata basis to members of the Company does not exceed 20% of the issued share capital of the Company;

NOTICE OF ANNUAL GENERAL MEETING

- (ii) for the purpose of determining the aggregate number of shares that may be issued under (i) above, notwithstanding the provisions of Article 48(2) of the Articles of Association of the Company, the percentage of issued share capital shall be based on the issued share capital of the Company at the time this Resolution is passed, after adjusting for (1) new shares arising from the conversion or exercise of any convertible securities or employee share options that are outstanding when this Resolution is passed, and (2) any subsequent consolidation or subdivision of shares; and
 - (iii) unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier; and
- (b) contingent upon any of the ordinary shares in the Company being issued and being credited as fully paid, the same be and shall hereby be converted into stock units transferable in amounts and multiples of \$1.00 each."
10. To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:
"That authority be and is hereby given to the Directors to allot and issue from time to time such number of ordinary shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted under the United Engineers Executives' Share Option Scheme ("ESOS"), provided that the aggregate number of ordinary shares to be issued pursuant to the ESOS does not exceed 5% of the issued ordinary share capital of the Company from time to time; and that contingent upon any of the ordinary shares in the Company being issued and being credited as fully paid, the same be and shall thereby be converted into stock units transferable in amounts and multiples of \$1.00."
11. To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:
"That authority be and is hereby given to the Directors to offer and grant options pursuant to the United Engineers Share Option Scheme 2000 (the "Scheme 2000") and to allot and issue from time to time such number of ordinary shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted under the Scheme 2000, provided that the aggregate number of ordinary shares to be issued pursuant to the Scheme 2000 shall not exceed 10% of the issued ordinary share capital of the Company from time to time; and that contingent upon any of the ordinary shares in the Company being issued and being credited as fully paid, the same be and shall thereby be converted into stock units transferable in amounts and multiples of \$1.00."

By Order of the Board

Miss Eileen Lim
Group Company Secretary

Singapore
8 April 2003

Note: A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote in his stead and the proxy need not be a member of the Company. Proxies must be lodged at the Registered Office of the Company not less than 48 hours before the time fixed for the meeting.

NOTICE OF ANNUAL GENERAL MEETING

Additional information relating to items of Special Business

The Ordinary Resolution in item 9, if passed, will allow the Directors to issue shares in the Company up to the limits specified therein from the date of this Annual General Meeting up to the next Annual General Meeting, and to convert issued and fully paid up ordinary shares into stock units in the capital of the Company. For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued share capital will be calculated based on the Company's issued share capital at the time that this Resolution is passed, after adjusting for the conversion or exercise of any convertible securities and employee share options that have been issued or granted and which are outstanding at the time that this Resolution is passed, and any subsequent consolidation or subdivision of shares.

The Ordinary Resolution in item 10, if passed, will allow the Directors to issue ordinary shares in the Company pursuant to the exercise of options that have been granted under the United Engineers Executives' Share Option Scheme ("ESOS") not exceeding 5% of the issued ordinary share capital of the Company from time to time, and to convert the issued and fully paid up ordinary shares into stock units in the capital of the Company. Although the ESOS was terminated on 21 June 2000, all outstanding options granted under the ESOS prior to its termination remain exercisable in accordance with the terms of the ESOS.

The Ordinary Resolution in item 11, if passed, will allow the Directors to issue ordinary shares in the Company upon the exercise of options granted or to be granted under the United Engineers Share Option Scheme 2000 (which replaced the ESOS), not exceeding 10% of the issued ordinary share capital of the Company from time to time, and to convert the issued and fully paid up ordinary shares into stock units in the capital of the Company.

IMPORTANT

1. For investors who have used their CPF monies to buy United Engineers Limited shares, the Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

PROXY FORM

I/We, (Name) _____

of (Address) _____

being a member/members of UNITED ENGINEERS LIMITED hereby appoint:

NAME	ADDRESS	NRIC/PASSPORT NUMBER	PROPORTION OF SHAREHOLDINGS (%)

and/or (delete as appropriate)

NAME	ADDRESS	NRIC/PASSPORT NUMBER	PROPORTION OF SHAREHOLDINGS (%)

as my/our proxy/proxies to vote for me/us on my/our behalf, at the Annual General Meeting of the Company, to be held on 29 April 2003 at 11.30 a.m., and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the Meeting.

NO.	RESOLUTION	FOR	AGAINST
1.	Adoption of Reports and Accounts		
2. (a)	Declaration of Dividends on Preference Shares		
(b)	Declaration of Dividends on Ordinary Stocks		
3.	Re-election of Dr Tan Eng Liang under Article 99 of the Articles of Association of the Company		
4.	Re-election of Mr Thai Chee Ken under Article 99 of the Articles of Association of the Company		
5.	Re-appointment of Mr Tang I-Fang as a Director pursuant to Section 153(6) of the Companies Act, Cap.50		
6.	Approval of Directors' Fees		
7.	Appointment of Auditors		
8.	Any other ordinary Business		
9.	Authority to issue shares pursuant to Section 161 of the Companies Act, and to convert issued fully paid ordinary shares into stock units in the capital of the Company		
10.	Authority to issue shares under the United Engineers Executives' Share Option Scheme, and to convert the issued fully paid ordinary shares into stock units in the capital of the Company		
11.	Authority to issue shares under the United Engineers Share Option Scheme 2000, and to convert the issued fully paid ordinary shares into stock units in the capital of the Company		

Dated this _____ day of _____ 2003.

 Signature(s) of Member(s) / Common Seal
IMPORTANT : PLEASE READ NOTES OVERLEAF

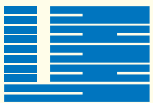
Number of Stock Units Held	
Number of Preference Shares Held	

NOTES

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or two proxies to attend and vote in his stead.
2. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his holding (expressed as a percentage of the whole) to be represented by each proxy.
3. A proxy need not be a member of the Company.
4. Please insert the total number of ordinary stock units/preference shares held by you. If you have ordinary stock units/preference shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50 of Singapore), you should insert that number. If you have ordinary stock units/preference shares registered in your name in the Register of Members of the Company, you should insert that number. If you have ordinary stock units/preference shares entered against your name in the Depository Register and registered in your name in the Register of Members, you should insert the aggregate number. If no number is inserted, this form of proxy will be deemed to relate to all the ordinary stock units/preference shares held by you.
5. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 83 Clemenceau Avenue, #18-01 UE Square, Singapore 239920 not less than 48 hours before the time set for the Meeting.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
7. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

GENERAL

The Company shall be entitled to reject a Proxy Form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of ordinary stock units/preference shares entered in the Depository Register, the Company may reject a Proxy Form if the member, being the appointor, is not shown to have ordinary stock units/preference shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.



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