

## Contents

Directors' report	46
Statement by directors	51
Auditors' report	52
Consolidated profit and loss account	53
Balance sheets	54
Consolidated statement of changes in equity	55
Consolidated cash flow statement	56
Notes to the financial statements	58

# Directors' Report

The directors are pleased to present their report to the members together with the audited consolidated financial statements of United Engineers Limited (the Company) and its subsidiaries (the Group) for the financial year ended 31 December 2003 and the balance sheet of the Company as at 31 December 2003.

## DIRECTORS

The directors of the Company 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

## 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:

Name of Director	Held in the name of directors		Deemed interest	
	At the beginning of the year	At the end of the year	At the beginning of the year	At the end of the year
	<b>Ordinary Stock Units of \$1.00 each</b>			
Tang I-Fang	40,000	40,000	–	–
Thai Chee Ken	–	–	3,288	3,288
Jackson Chevalier Yap Kit Siong	–	153,000	–	–
	<b>No. of Unissued Shares Under Option</b>			
Jackson Chevalier Yap Kit Siong (Group Managing Director)	648,168	595,000	–	–

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2004.

Except as disclosed in this report, no director who held office at the end of the financial year had an interest in shares, share options or debentures of the Company or its subsidiary companies either at the beginning of the financial year or at the end of the financial year.

# Directors' Report

## 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 the notes to the financial statements and set out below under "Interested Person Transactions".

## INTERESTED PERSON TRANSACTIONS

Details of interested person transactions 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.

As at 31 December 2003, unissued shares of the Company under ESOS were as follows:

Date of Grant	Exercise Period	Exercise Price	No. of shares under option granted	No. of shares under option exercised during the financial year	No. of shares under option lapsed during the financial year	Balance as at 31.12.03
18.10.99	18.7.02 to 17.9.04	\$1.19	2,751,679	444,313	59,400	1,590,566

The aggregate number of options granted since the commencement of the ESOS on 7 November 1994 to 31 December 2003 is 8,016,560.

ESOS was terminated in year 2000, hence the last grant of options took place in 1999.

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

# Directors' Report

## OPTIONS *(continued)*

As at 31 December 2003, 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 lapsed as at end of financial year	Aggregate options outstanding as at end of financial year
Jackson Chevalier Yap Kit Siong (Group Managing Director)	273,168	153,000	168	120,000

## 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 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 2,569,000 unissued ordinary shares of \$1.00 each to 93 executives of the Company and its subsidiaries.

The aggregate number of new ordinary shares over which options may be granted pursuant to Scheme 2000, when added to the number of ordinary shares issued and issuable in respect of all options granted under the 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 2003, unissued shares granted under Scheme 2000 were as follows:

Date of Grant	Exercise Period	Exercise Price	Balance as at 31.12.02	No. of shares under option granted during the financial year	No. of shares under option exercised during the financial year	No. of shares under option lapsed during the financial year	Balance as at 31.12.03
6.12.00	6.12.01 to 5.12.10	\$1.14	2,413,700	–	576,000	91,500	1,746,200
5.11.01	5.11.02 to 4.11.11	\$1.01	2,864,000	–	894,740	121,800	1,847,460
4.10.02	4.10.03 to 3.10.12	\$1.07	2,385,200	–	289,000	90,500	2,005,700
12.12.03	12.12.04 to 11.12.13	\$1.61	–	2,569,000	–	–	2,569,000

# Directors' Report

## OPTIONS *(continued)*

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

The aggregate number of options granted since the commencement of the Scheme 2000 in year 2000 to 31 December 2003 is 10,480,700.

As at 31 December 2003, 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 Scheme 2000 granted during the 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)	100,000	475,000	–	475,000

Controlling shareholders of the Company and their associates are not eligible to participate in Scheme 2000. 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 price 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 and Singapore Exchange Listing Manual. 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 Audit 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 2004 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 reappointment as auditors.

On behalf of the Board,

TANG I-FANG  
Director

JACKSON CHEVALIER YAP KIT SIONG  
Director

26 March 2004  
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, consolidated profit and loss account, consolidated statement 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 2003, of the results of the businesses, changes in equity and the cash flows 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.

On behalf of the Board,

TANG I-FANG  
Director

JACKSON CHEVALIER YAP KIT SIONG  
Director

26 March 2004  
Singapore

# Auditors' Report

To the Members of United Engineers Limited

We have audited the accompanying financial statements of United Engineers Limited (the Company) and its subsidiaries (the Group) set out on pages 53 to 89 for the year ended 31 December 2003. 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 consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act (the "Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2003 and the results, changes in equity and cash flows of the Group for the year ended on that date; and
- (b) the accounting and other records (excluding registers) required by the Act to be kept by the Company and by those subsidiary companies incorporated in Singapore of which we are auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements of subsidiary companies which are not required to present audited financial statements by the law of their country of incorporation, and the financial statements and auditors' reports of all other subsidiary companies of which we have not acted as auditors, being financial statements included in the consolidated financial statements. The names of these subsidiary companies are stated in Note 11 to the financial statements.

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the financial statements of the Company are in the 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

26 March 2004  
Singapore



# Consolidated Profit and Loss Account

for the year ended 31 December 2003

	Note	GROUP	
		2003 \$000	2002 \$000
Revenue	3	<b>464,506</b>	473,686
Cost of sales		<b>(390,754)</b>	(385,136)
Gross profit		<b>73,752</b>	88,550
Other operating income		<b>2,072</b>	1,940
Distribution costs		<b>(12,652)</b>	(9,723)
Administrative costs		<b>(42,534)</b>	(43,225)
Other operating expenses		<b>(2,082)</b>	(11,217)
Operating profit	4	<b>18,556</b>	26,325
Exceptional items	5	<b>1,613</b>	(716)
Operating profit after exceptional items		<b>20,169</b>	25,609
Interest income	6	<b>2,065</b>	1,652
Interest expense	6	<b>(7,489)</b>	(7,668)
		<b>14,745</b>	19,593
Share of results of associated companies		<b>57,013</b>	16,769
Profit before taxation		<b>71,758</b>	36,362
Taxation	7	<b>(961)</b>	(7,515)
Profit after taxation		<b>70,797</b>	28,847
Minority interest		<b>(17,998)</b>	(9,149)
Profit attributable to members of United Engineers Limited		<b>52,799</b>	19,698
Earnings per stock unit (cents)	8		
Basic earnings per share		<b>25.4¢</b>	9.5¢
Diluted earnings per share		<b>25.1¢</b>	9.5¢

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

# Balance Sheets

as at 31 December 2003

	Note	GROUP		COMPANY	
		2003 \$000	2002 \$000	2003 \$000	2002 \$000
INVESTMENT PROPERTIES	9	<b>594,400</b>	657,800	<b>450,000</b>	500,000
FIXED ASSETS	10	<b>47,877</b>	45,384	<b>3,454</b>	4,258
SUBSIDIARY COMPANIES	11	–	–	<b>325,811</b>	292,719
ASSOCIATED COMPANIES	12	<b>138,038</b>	152,978	<b>5,905</b>	6,772
OTHER INVESTMENTS	13	<b>1,455</b>	2,787	<b>846</b>	2,098
INTANGIBLES	14	<b>923</b>	1,276	–	–
<b>CURRENT ASSETS</b>					
Stocks and work-in-progress	15	<b>72,760</b>	52,104	–	–
Trade & other debtors	16	<b>157,289</b>	140,452	<b>9,516</b>	3,426
Short-term investments	17	<b>52,105</b>	–	–	–
Bank balances and deposits		<b>76,339</b>	79,572	<b>3,207</b>	4,485
		<b>358,493</b>	272,128	<b>12,723</b>	7,911
<b>DEDUCT: CURRENT LIABILITIES</b>					
Bank borrowings	18	<b>43,870</b>	32,961	–	–
Trade & other creditors	19	<b>103,647</b>	103,734	<b>8,395</b>	9,780
Term loans	20	<b>99,929</b>	79,660	<b>54,421</b>	52,100
Provision for taxation		<b>3,130</b>	6,275	–	1,765
		<b>250,576</b>	222,630	<b>62,816</b>	63,645
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<b>107,917</b>	49,498	<b>(50,093)</b>	(55,734)
TERM LOANS	20	<b>(250,482)</b>	(252,827)	<b>(185,000)</b>	(185,000)
DEFERRED TAXATION	21	<b>(2,708)</b>	(2,728)	–	–
		<b>637,420</b>	654,168	<b>550,923</b>	565,113
<b>CAPITAL AND RESERVES</b>					
Share capital	22	<b>210,977</b>	207,114	<b>210,977</b>	207,114
Reserves		<b>339,946</b>	357,999	<b>339,946</b>	357,999
<b>SHAREHOLDERS' FUNDS</b>		<b>550,923</b>	565,113	<b>550,923</b>	565,113
MINORITY INTERESTS		<b>86,497</b>	89,055	–	–
		<b>637,420</b>	654,168	<b>550,923</b>	565,113

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

# Consolidated Statement Of Changes In Equity

for the year ended 31 December 2003

	Note	AMOUNT		NUMBER OF SHARES	
		2003 \$000	2002 \$000	2003 000	2002 000
<b>Issued capital</b>					
	22				
Balance, beginning of year					
7½% cumulative preference shares		875	875	875	875
Ordinary shares		206,239	205,725	206,239	205,725
		<b>207,114</b>	206,600	<b>207,114</b>	206,600
Issued during the year					
Ordinary shares		3,863	514	3,863	514
Balance, end of year		<b>210,977</b>	207,114	<b>210,977</b>	207,114
<b>Share premium</b>					
	22				
Premium on issue of ordinary shares					
during the year and balance, end of year		194	–		
<b>Asset revaluation reserve</b>					
Balance, beginning of year		314,602	339,347		
Deficit on revaluation of investment properties		(62,176)	(24,745)		
Balance, end of year		<b>252,426</b>	314,602		
<b>Foreign currency translation</b>					
Balance, beginning of year					
Subsidiary and associated companies' reserves		(510)	4,596		
Inter-company balances of a long-term nature		(18,217)	(20,030)		
		<b>(18,727)</b>	(15,434)		
Foreign currency translation adjustments					
Subsidiary and associated companies' reserves		(1,782)	(5,106)		
Inter-company balances of a long-term nature		1,038	1,813		
Balance, end of year		<b>(19,471)</b>	(18,727)		
<b>Accumulated profits</b>					
Balance, beginning of year		62,124	48,910		
Net profit for the year		52,799	19,698		
Dividends, paid	23	(8,126)	(6,484)		
Balance, end of year		<b>106,797</b>	62,124		
<b>Total reserves</b>		<b>339,946</b>	357,999		
<b>Total equity and shares outstanding</b>		<b>550,923</b>	565,113	<b>210,977</b>	207,114
Net change in equity from non-owner					
sources excluding net profits		(62,920)	(28,038)		

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

# Consolidated Cash Flow Statement

for the year ended 31 December 2003

	2003 \$000	2002 \$000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	71,758	36,362
Adjustments for:		
Amortisation of intangibles	345	345
Currency realignment	1,206	1,863
Depreciation of fixed assets	6,017	7,724
Deficit on revaluation of investment properties	843	876
Gain on disposal of other/short-term investments and fixed assets	(772)	(138)
Interest expense	7,489	7,668
Interest income	(2,065)	(1,652)
Provision for diminution in value of other/short-term investments	605	1,182
Share of results of associated companies	(57,013)	(16,769)
Operating cash flow before working capital changes	28,413	37,461
Increase/(decrease) in trade & other creditors	232	(13,816)
Increase in trade & other debtors	(18,544)	(22,440)
Increase in stocks and work-in-progress	(20,213)	(12,167)
Cash used in operations	(10,112)	(10,962)
Interest paid	(7,349)	(8,674)
Interest received	1,943	1,764
Taxation paid	(2,798)	(5,995)
<b>Net cash used in operating activities</b>	<b>(18,316)</b>	<b>(23,867)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Acquisition of subsidiary companies, net of cash acquired	-	(3,632)
Capital and development expenditure	(10,228)	(12,592)
Dividends received from associated companies	1,043	1,949
Increase in amounts due from associated companies	(196)	(448)
Net proceeds from disposal of other investments and fixed assets	2,129	1,567
Net proceeds from disposal of pharmaceutical retail business	-	579
<b>Net cash used in investing activities</b>	<b>(7,252)</b>	<b>(12,577)</b>

# Consolidated Cash Flow Statement

for the year ended 31 December 2003

	2003 \$000	2002 \$000
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Share options exercised	4,057	514
Increase in secured bank borrowings	8,018	12,121
Dividends paid	(8,126)	(6,484)
Dividends paid to minority shareholders	(2,276)	(690)
Proceeds from term loans	17,937	30,131
<b>Net cash generated from financing activities</b>	<b>19,610</b>	<b>35,592</b>
Cash and cash equivalents at beginning of year	66,887	67,739
Net decrease in cash and cash equivalents	(5,958)	(852)
<b>Cash and cash equivalents at end of year</b>	<b>60,929</b>	<b>66,887</b>
Cash and cash equivalents comprise:		
Bank balances and deposits	76,339	79,572
Unsecured bank borrowings	(15,410)	(12,519)
Cash and cash equivalents as previously reported	60,929	67,053
Effect of exchange rate changes	-	(166)
<b>Cash and cash equivalents as restated</b>	<b>60,929</b>	<b>66,887</b>

The effect on the individual assets and liabilities arising from the acquisition of a subsidiary company in 2002 is set out below:

	2002 \$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)
<b>Cash flow on acquisition net of cash acquired</b>	<b>3,632</b>

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

# Notes to the Financial Statements

31 December 2003

## 1 GENERAL

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

The Company operates in Singapore and its principal activities are those of a holding company and property owner and property developer and deriving income therefrom. The principal activities and place of business of the subsidiary companies are set out in Note 11 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 4,436 (2002: 3,849) and 59 (2002: 50) employees as of 31 December 2003 respectively.

## 2 SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of Preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (FRS) as required by the Companies Act. In previous years, the financial statements were prepared in accordance with Singapore Statements of Accounting Standard (SAS). The transition from SAS to FRS did not result in any significant change in accounting policies.

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 and the Group, and are consistent with those used in the previous year.

The financial statements are expressed in Singapore Dollars.

### (b) Principles of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary companies, after the elimination of all material intragroup transactions and resulting unrealised profits.

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.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

# Notes to the Financial Statements

31 December 2003

## 2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (c) **Subsidiary and Associated Companies** *(continued)*

A subsidiary is a company in which the Group, directly or indirectly, holds more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

The Group treats as associated companies those active trading companies in which it has a long-term equity interest of not less than 19% and not more than 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 Company's financial year.

The Group's investments in associates are accounted for using the equity method. In the Group's consolidated 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. 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.

### (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.

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.

### (e) **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. 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.

# Notes to the Financial Statements

31 December 2003

## 2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (e) Investment Properties *(continued)*

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.

### (f) 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.

### (g) 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 losses.

#### Trademark

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



# Notes to the Financial Statements

31 December 2003

## 2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (g) Intangibles *(continued)*

#### Deferred Expenditure

Deferred expenditure is stated at cost less amortisation and any impairment losses. 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.

### (h) 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.

### (i) 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. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

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.

### (j) 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 companies are recognised and carried at cost less an allowance for any uncollectible amounts.

### (k) 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.

# Notes to the Financial Statements

31 December 2003

## 2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (l) Impairment

The carrying amounts of the Group's assets, other than stocks, work-in-progress (Note 2(i)) and trade and other debtors (Note 2(j)), 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 or treated as a revaluation decrease for assets carried at revalued amount to the extent the impairment loss does not exceed the amount held in revaluation surplus for that same asset, 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 or as a revaluation increase.

### (m) 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 companies are carried at cost.

### (n) Accounting For Leases

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased items are classified as operating 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.

### (o) Loans and Borrowings

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

### (p) Capitalisation of Borrowing Costs

Borrowing costs are capitalised when incurred specifically to prepare the assets for their intended use or sale. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are being incurred. 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.

# Notes to the Financial Statements

31 December 2003

## 2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (q) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a 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.

### (r) 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 by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is recognised for all deductible temporary differences, carry-forward of unabsorbed tax losses and unutilised capital allowances only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

At each balance sheet date, the Group reassesses unrecognised deferred tax assets and the carrying amount of deferred tax assets. The Group recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. 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.

### (s) 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. Non-monetary assets and liabilities are measured using the exchange rates ruling at the transaction dates, or in the case of items carried at fair value, the exchange rates that existed when the values were determined. 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.

# Notes to the Financial Statements

31 December 2003

## 2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (s) Foreign Currencies *(continued)*

For inclusion in the consolidated financial statements, all assets and liabilities of foreign subsidiary and associated companies are translated into Singapore dollars at exchange rates ruling at balance sheet date. Revenue and expenses are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions. Exchange differences due to such currency translations are included in the Group's foreign currency translation reserves. On disposal of a foreign entity, accumulated exchange differences are recognised in the profit and loss account as a component of the gain or loss of disposal.

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.

### (t) 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 option 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. No compensation cost is recognised upon granting or the exercise of the options. 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. Where the options are exercised, the proceeds received net of any transaction costs are credited to share capital and share premium accordingly.

#### 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.

### (u) 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 27.

# Notes to the Financial Statements

31 December 2003

## 3 REVENUE

	2003 \$000	GROUP 2002 \$000
Sales of goods	182,929	177,108
Rendering of services	281,542	296,529
Dividend income from unquoted equity investments	35	49
	<b>464,506</b>	<b>473,686</b>

## 4 OPERATING PROFIT

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

Amortisation of goodwill	(229)	(229)
Amortisation of trademark	(116)	(116)
Auditors' remuneration		
– Auditors of the Company	(202)	(206)
– Other auditors	(173)	(150)
Depreciation of fixed assets	(6,017)	(7,724)
Gain on disposal of short-term investments and fixed assets	772	138
Loss on foreign exchange differences	(1,273)	(3,045)
Non-audit fees paid to auditors for professional services		
– Auditors of the Company	(328)	(185)
– Other auditors	(104)	(96)
Provision for doubtful trade debts	(1,020)	(7,123)
Provision for doubtful trade debts written back	1,391	424
Provision for project costs over-run	(2,283)	(2,035)
Provision for stocks obsolescence	(256)	(1,359)
Staff costs		
– Salaries, wages, bonuses and other costs	(67,203)	(64,938)
– Central Provident Fund and other defined contribution plans	(4,741)	(4,529)
Stocks written off	(255)	(351)

## 5 EXCEPTIONAL ITEMS

Deficit on revaluation of investment properties	(843)	(876)
Gain on disposal of other investments	2,456	1,342
Provision for diminution in value of unquoted equity investments	–	*(1,182)
	<b>1,613</b>	<b>(716)</b>

\* 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.

# Notes to the Financial Statements

31 December 2003

## 6 INTEREST INCOME AND INTEREST EXPENSE

	GROUP	
	2003 \$000	2002 \$000
Interest income		
- associated company	329	440
- deposits with banks and financial institutions	1,048	1,176
- others	688	36
	<b>2,065</b>	<b>1,652</b>
Interest expense		
- loans and borrowings	7,489	7,668

## 7 TAXATION

Current taxation	2,810	5,095
Deferred taxation charge/(written back)	6	(228)
Current year tax expense	2,816	4,867
(Over)/under provision in respect of prior years	(3,486)	2,164
	(670)	7,031
Share of taxation of associated companies	1,631	484
	<b>961</b>	<b>7,515</b>

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	
	2003 %	2002 %
Applicable tax rate	22.0	22.0
Expenses not deductible for tax purposes	4.7	9.5
Income not subject to tax	(16.6)	(10.8)
Utilisation of previously unrecognised capital allowances/tax losses	(6.7)	(12.6)
Losses of foreign subsidiary companies/additional foreign tax	2.5	5.4
Losses of local subsidiary companies not available for set-off against profit of other companies within the Group	0.3	1.2
(Over)/under provision of income tax in respect of prior years	(4.9)	6.0
Effective tax rate	<b>1.3</b>	<b>20.7</b>

Tax losses and capital allowances of \$4,773,000 (2002: \$8,135,000) and \$3,804,000 (2002: \$4,024,000) respectively for the Group have been utilised during the year. There are unabsorbed tax losses estimated at \$36,249,000 (2002: \$34,367,000) for the Group. These losses and unutilised capital allowances of \$6,596,000 (2002: \$11,422,000) 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.

# Notes to the Financial Statements

31 December 2003

## 8 EARNINGS PER STOCK UNIT

Basic earnings per share (EPS) is calculated by dividing group profit attributable to ordinary stockholders of \$52,799,000 (2002: \$19,698,000) and after deducting preference dividends of \$53,000 (2002: \$51,000) by the weighted average number of ordinary shares in issue during the period of 207,952,974 (2002: 206,049,898).

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).

	GROUP	
	2003	2002
Existing number of ordinary shares applicable to basic earnings per share	<b>207,952,974</b>	206,049,898
Effect of dilutive securities: Share options	<b>1,782,067</b>	708,860
Adjusted number of ordinary shares applicable to diluted earnings per share	<b>209,735,041</b>	206,758,758

Since the end of the year, senior executives have exercised the option to acquire ordinary shares. There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

## 9 INVESTMENT PROPERTIES

	GROUP		COMPANY	
	2003	2002	2003	2002
	\$000	\$000	\$000	\$000
<b>(a) Long leasehold land and buildings</b>				
At 1 January	<b>500,000</b>	520,000	<b>500,000</b>	520,000
Cost adjustments	<b>(300)</b>	(400)	<b>(300)</b>	(400)
Revaluation deficit	<b>(49,700)</b>	(19,600)	<b>(49,700)</b>	(19,600)
At 31 December	<b>450,000</b>	500,000	<b>450,000</b>	500,000
<b>(b) Leasehold land and buildings</b>				
At 1 January	<b>157,800</b>	162,000	-	-
Cost adjustments	<b>(58)</b>	(139)	-	-
Revaluation deficit	<b>(13,342)</b>	(4,061)	-	-
At 31 December	<b>144,400</b>	157,800	-	-
At directors' valuation	<b>594,400</b>	657,800	<b>450,000</b>	500,000

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 2003.

Investment properties in (b) amounting to \$120,000,000 after revaluation at 31 December 2003 have been mortgaged to secure certain term loan facilities obtained to partially finance their developments (Note 20).

# Notes to the Financial Statements

31 December 2003

## 10 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
<b>GROUP</b>							
<b>Cost and Valuation</b>							
At 31 December 2002							
Cost	3,958	230	19,177	7,166	45,959	20,582	97,072
Valuation, 2002*	–	244	–	–	4,650	60	4,954
	3,958	474	19,177	7,166	50,609	20,642	102,026
Currency realignment	26	(5)	(84)	–	(397)	(79)	(539)
Reclassification	–	–	–	–	(63)	63	–
Additions	11	–	621	5,949	1,929	1,718	10,228
Disposals	–	–	–	(11)	(2,550)	(3,280)	(5,841)
At 31 December 2003	3,995	469	19,714	13,104	49,528	19,064	105,874
Representing:							
Cost	3,995	225	19,714	13,104	44,878	19,004	100,920
Valuation, 2002*	–	244	–	–	4,650	60	4,954
At 31 December 2003	3,995	469	19,714	13,104	49,528	19,064	105,874
<b>Accumulated depreciation</b>							
At 31 December 2002	(299)	(52)	(7,781)	–	(33,798)	(14,712)	(56,642)
Currency realignment	(4)	–	34	–	232	68	330
Reclassification	–	–	–	–	25	(25)	–
Charge for the year	(52)	(5)	(792)	–	(3,210)	(2,220)	(6,279)
Disposals	–	–	–	–	2,230	2,364	4,594
At 31 December 2003	(355)	(57)	(8,539)	–	(34,521)	(14,525)	(57,997)
<b>Net book value</b>							
At 31 December 2003	3,640	412	11,175	13,104	15,007	4,539	47,877
At 31 December 2002	3,659	422	11,396	7,166	16,811	5,930	45,384

\* 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 \$4,449,000 (2002: \$5,181,000) and \$13,103,000 (2002: \$7,156,000) respectively have been mortgaged to secure the Group's bank borrowings and term loan facilities of certain subsidiary companies (Notes 18 and 20).



# Notes to the Financial Statements

31 December 2003

## 10 FIXED ASSETS *(continued)*

	Leasehold land and buildings \$000	Motor vehicles and other assets \$000	Total \$000
<b>COMPANY</b>			
<b>Cost</b>			
At 31 December 2002	8,419	4,905	13,324
Additions	–	256	256
Disposals	–	(192)	(192)
At 31 December 2003	8,419	4,969	13,388
<b>Accumulated depreciation</b>			
At 31 December 2002	5,336	3,730	9,066
Charge for the year	448	573	1,021
Disposals	–	(153)	(153)
At 31 December 2003	5,784	4,150	9,934
<b>Net book value</b>			
At 31 December 2003	2,635	819	3,454
At 31 December 2002	3,083	1,175	4,258
<b>GROUP</b>			
		<b>2003</b>	2002
		<b>\$000</b>	<b>\$000</b>
Net interest expense capitalised in fixed assets during the year		–	72
The depreciation charge for the year in profit and loss account is as follows:			
Depreciation for the year		<b>6,279</b>	7,919
Current year's depreciation included in work-in-progress		<b>(262)</b>	(195)
Charged to profit and loss account		<b>6,017</b>	7,724

# Notes to the Financial Statements

31 December 2003

## 11 SUBSIDIARY COMPANIES

	COMPANY	
	2003 \$000	2002 \$000
Unquoted equity shares at cost	220,841	220,841
Loans receivable	124,371	121,433
Amounts receivable	15,852	16,355
Amounts payable	(17,503)	(19,677)
	<b>343,561</b>	<b>338,952</b>
Revaluation adjustment to restate cost to Company's share of attributable net assets	(17,750)	(46,233)
	<b>325,811</b>	<b>292,719</b>

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 2003 are as follows:

Name of Company	Principal activities (Place of business) <sup>①</sup>	Cost		Percentage of equity held by the Group	
		2003 \$000	2002 \$000	2003 %	2002 %
<b>Incorporated in Singapore</b>					
Apex Pharmacy International Pte Ltd	In Members' voluntary liquidation	2,890	2,890	51	51
APG Engineers Pte Ltd	Specialist engineering works	—#	—#	60	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	Deregistered	—	309	—	85
Grafton Laboratories Private Limited	Dormant	410	410	100	100
Grafton Pharmasia Pte Ltd	Wholesale distribution of pharmaceutical and personal care products	564	564	56.7	56.7
Greathearth Construction Pte Ltd	Building contractors	15,850	15,850	85	85
Greathearth Developments Pte Ltd	Property development and leasing	—#	—#	92.5	92.5

# Notes to the Financial Statements

31 December 2003

## 11 SUBSIDIARY COMPANIES *(continued)*

Name of Company	Principal activities (Place of business) <sup>①</sup>	Cost		Percentage of equity held by the Group	
		2003 \$000	2002 \$000	2003 %	2002 %
<b>Incorporated in Singapore <i>(continued)</i></b>					
Greatearth Holding Pte Ltd	Investment holding	<b>3,038</b>	3,038	<b>85</b>	85
KM Systems Pte Ltd	Dormant	<b>2,162</b>	2,162	<b>100</b>	100
Maxdin Pte Ltd	Property investment	<b>3</b>	3	<b>85</b>	85
McAlister and Company, Limited	Supply of industrial equipment, general trading and general engineering (Singapore, Malaysia and Hong Kong)	<b>29,023</b>	29,023	<b>100*</b>	100*
Medical Hall (1996) Pte Ltd	Dormant	<b>764</b>	764	<b>100</b>	100
MPL Pte Ltd	Broadcasting and telecommunication facilities	<b>833</b>	833	<b>75</b>	70
MPL Communications Pte Ltd	Dormant	<b>156</b>	156	<b>53</b>	49
UE Trade Corporation Pte Ltd	General traders	<b>5,160</b>	5,160	<b>100</b>	100
UE Support Services Pte Ltd	Management services	<b>41</b>	41	<b>100*</b>	100*
UE Ville Developments Pte Ltd	Property development and leasing	<b>1,000</b>	1,000	<b>100</b>	100
UE-Tradetec (Singapore) Pte Ltd	Supply of machinery, equipment and metal products	<b>5,270</b>	5,270	<b>100*</b>	100*
UMC ServiceMaster Pte Ltd	Support management facilities	<b>800</b>	800	<b>100</b>	100
United Engineers Developments Pte Ltd	Property facilities management and leasing	<b>40,000</b>	40,000	<b>100*</b>	100*
United Engineers (Singapore) Private Limited	Mechanical, electrical and environmental engineering (Singapore and Brunei)	<b>80,000</b>	80,000	<b>100*</b>	100*
United Highway Corporation Pte Ltd	Dormant	<b>450</b>	450	<b>100</b>	100

# Notes to the Financial Statements

31 December 2003

## 11 SUBSIDIARY COMPANIES *(continued)*

Name of Company	Principal activities (Place of business) <sup>①</sup>	Cost		Percentage of equity held by the Group	
		2003 \$000	2002 \$000	2003 %	2002 %
<b>Incorporated in Singapore</b> <i>(continued)</i>					
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 leasing business	42,266	42,266	90	90
UWB Pte Ltd	Engineering services	1,084	1,084	100	100
<b>Incorporated in Malaysia</b>					
② APG Geo-Systems Sdn Bhd	Specialists geo-technical foundation engineering (Malaysia)	4,097	4,097	60	60
② APG Systems (EM) Sdn Bhd	Specialists construction, sub-contractor for other geo-technical works (Malaysia)	48	48	60	60
② Applied Construction & Engineering (M) Sdn Bhd	Civil, electrical, mechanical engineers and contractors (Malaysia)	2,369	2,369	100	100
② Delichem Sdn Bhd	Provision of turnkey cleaning services (Malaysia)	—#	—#	100	100
② Design Entice (M) Sdn Bhd	Dormant	—#	—#	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

# Notes to the Financial Statements

31 December 2003

## 11 SUBSIDIARY COMPANIES *(continued)*

Name of Company	Principal activities (Place of business) <sup>①</sup>	Cost		Percentage of equity held by the Group	
		2003 \$000	2002 \$000	2003 %	2002 %
<b>Incorporated in Malaysia</b> <i>(continued)</i>					
② McAlister Holdings (Malaysia) Sdn Bhd	Dormant	60	60	100	100
② McAlister Trading (Malaysia) Sdn Bhd	Dormant	100	100	100	100
② UE ServiceCorp (Malaysia) Sdn Bhd (formerly known as 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
<b>Incorporated in Brunei</b>					
KMS (B) Sdn Bhd	Wound up (voluntary)	–	90	–	90
② United Engineers (B) Sdn Bhd	Civil, electrical, mechanical engineers and contractors (Brunei)	4,500	4,500	90	90
<b>Incorporated in Hong Kong</b>					
② Goodman Medical Supplies Limited	Supply of medical equipment and accessories (Hong Kong and Macau)	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*
<b>Incorporated in Indonesia</b>					
② PT. United Engineers Indonesia	Fabrication of steel structures (Indonesia)	1,968	1,968	60*	60*

# Notes to the Financial Statements

31 December 2003

## 11 SUBSIDIARY COMPANIES (continued)

Name of Company	Principal activities (Place of business) <sup>①</sup>	Cost		Percentage of equity held by the Group	
		2003 \$000	2002 \$000	2003 %	2002 %
<b>Incorporated in Indonesia</b> (continued)					
② PT. UE Sentosa	Engineering and construction projects (Indonesia)	499	499	60	60
③ PT. UE Developments	Development and management of apartment (condominium) buildings and office buildings (Indonesia)	3,030	–	100	–
<b>Incorporated in Taiwan</b>					
② UMC Taiwan Limited (formerly known as UMC ServiceMaster Taiwan Limited)	Support management facilities (Taiwan)	1,668	1,668	100	100
<b>Incorporated in Myanmar</b>					
④ UE Myanmar Limited	General traders (Myanmar)	143	143	100	100
④ MPL International Limited	General trading and contract works (Myanmar)	128	128	75	70
<b>Incorporated in Bangladesh</b>					
⑤ UE Trade Corporation (Bangladesh) Pte Ltd	General traders (Bangladesh)	106	106	100	100
<b>Incorporated in India</b>					
② UE Trade Corporation (India) Private Limited	General trading & distribution (India)	117	117	100	100
<b>Incorporated in Thailand</b>					
② Delichem (Thailand) Company Limited	Specialty chemical products (Thailand)	114	114	100	100

# Notes to the Financial Statements

31 December 2003

## 11 SUBSIDIARY COMPANIES *(continued)*

Name of Company	Principal activities (Place of business) <sup>①</sup>	Cost		Percentage of equity held by the Group	
		2003 \$000	2002 \$000	2003 %	2002 %
<b>Incorporated in Cambodia</b>					
⑥ United Media Limited	Dormant	<b>620</b>	620	<b>75</b>	70
⑥ Media Services Limited	Dormant	<b>9</b>	9	<b>75</b>	70
<b>Incorporated in The People's Republic of China</b>					
⑦ Anhui Anxin Energy Co. Ltd	Engineering services (The People's Republic of China)	<b>1,207</b>	1,207	<b>100</b>	100
⑧ Dalian Xinwei Metalform Products Co Limited	Dormant	<b>2,739</b>	2,739	<b>60</b>	60
⑨ Park Avenue Management Services (Shanghai) Co Ltd	Provision of services as project and business managers of buildings, apartments, hotels and shopping centres (The People's Republic of China)	<b>7,101</b>	7,101	<b>100</b>	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 Paul Hadiwinata, Hidajat & Rekan, Indonesia

④ Audited by technical assistance firm of Ernst & Young in Myanmar

⑤ Audited by technical assistance firm of Ernst & Young in Bangladesh

⑥ Not statutorily required to be audited

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

# Notes to the Financial Statements

31 December 2003

## 12 ASSOCIATED COMPANIES

	GROUP		COMPANY	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
Unquoted equity shares				
At valuation based on share of attributable net assets	-	-	5,905	6,772
At cost	119,816	123,747	-	-
Goodwill on acquisition	(1,023)	(3,034)	-	-
Currency realignment	6,816	9,649	-	-
Share of net post acquisition reserves	48,252	11,316	-	-
	<b>173,861</b>	<b>141,678</b>	<b>5,905</b>	<b>6,772</b>
Provision for diminution in value (Note 12a)	-	(2,632)	-	-
	<b>173,861</b>	<b>139,046</b>	<b>5,905</b>	<b>6,772</b>
Loans receivable	128	8,727	-	-
Amounts receivable	1,806	5,725	86	86
Amount payable	(37,237)	-	-	-
	<b>(35,303)</b>	<b>14,452</b>	<b>86</b>	<b>86</b>
Provision for diminution in value	(128)	(128)	-	-
Provision for amounts receivable	(392)	(392)	(86)	(86)
	<b>(35,823)</b>	<b>13,932</b>	<b>-</b>	<b>-</b>
	<b>138,038</b>	<b>152,978</b>	<b>5,905</b>	<b>6,772</b>

Amounts receivable are mainly non-trade in nature. The amount payable arose from the purchase of shares from UWT, is interest-free and is not expected to be repayable within the next 12 months. (Note 26)

(a) Provision for diminution in value of investment in associated companies

Balance at 1 January	2,632	2,632	-	-
Provision written back	(2,632)	-	-	-
Balance at 31 December	-	2,632	-	-

The associated companies as at 31 December 2003 are as follows:

Name of Company	Principal activities (Place of business) <sup>①</sup>	Cost		Percentage of equity held by the Group	
		2003 \$000	2002 \$000	2003 %	2002 %
<b>Incorporated in Singapore</b>					
Lycorpipe Investment Pte Ltd	Investment holding	138	138	19	19
United Wearnes Technology Pte Ltd	Investment holding	9,200	9,200	40	40



# Notes to the Financial Statements

31 December 2003

## 12 ASSOCIATED COMPANIES (continued)

Name of Company	Principal activities (Place of business) <sup>①</sup>	Cost		Percentage of equity held by the Group	
		2003 \$000	2002 \$000	2003 %	2002 %
<b>Incorporated in Malaysia</b>					
Apex Pharmacy Holdings Sendirian Berhad	Investment holding (Malaysia)	5,003	5,003	30	30
Asia Travel Service (Malaysia) Sdn Bhd	Dormant	–	40	30	30
BlueScope Lysaght (Malaysia) Sdn Bhd (formerly known as BHP Steel Lysaght (Malaysia) Sdn Bhd)	Steel roofings (Malaysia)	160	160	40	40
Hicom-Selangor Marine Management Sdn Bhd	In process of liquidation	–	28	29	29
Taipan Asia Travel (M) Sdn Bhd	Travel agents (Malaysia)	189	189	23	23
<b>Incorporated in The People's Republic of China</b>					
<sup>②</sup> Anhui Hefei United Power Generation Company Limited	Power generation plant (The People's Republic of China)	105,106	105,106	20	20
<b>Incorporated in Taiwan</b>					
Hwa Tech Industrial & Development Corp.	Dormant	–	3,903	26	26

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

① Place of business in Singapore unless otherwise stated

② Audited by KPMG Shanghai, The People's

Republic of China

# Notes to the Financial Statements

31 December 2003

## 13 OTHER INVESTMENTS

	GROUP		COMPANY	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
Quoted shares at cost less provision of \$Nil (2002: \$5,815,000)	-	-	-	-
Unquoted shares at cost less provision of \$215,000 (2002: \$1,182,000)	1,455	2,787	846	2,098
	<b>1,455</b>	<b>2,787</b>	<b>846</b>	<b>2,098</b>
Market value of quoted shares	-	1	-	-

## ANALYSIS OF PROVISION FOR DIMINUTION IN VALUE

### Quoted shares

Balance at 1 January	5,815	5,815	-	-
Provision written off	(5,815)	-	-	-
Balance at 31 December	-	5,815	-	-

### Unquoted shares

Balance at 1 January	1,182	145	-	-
Charged to profit and loss account	73	1,182	-	-
Provision written off	(1,040)	(145)	-	-
Balance at 31 December	215	1,182	-	-

## 14 INTANGIBLES

### (a) Trademark

Trademark expenditure relates to a licence fee 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	
	2003 \$000	2002 \$000
<b>Cost</b>		
Balance at 1 January	2,157	2,223
Currency realignment	(20)	(66)
Balance at 31 December	<b>2,137</b>	<b>2,157</b>
<b>Accumulated amortisation</b>		
Balance at 1 January	1,340	1,257
Currency realignment	(12)	(33)
Amortisation for the year	116	116
Balance at 31 December	<b>1,444</b>	<b>1,340</b>
<b>Unamortised amount</b>		
Balance at 31 December	<b>693</b>	<b>817</b>

# Notes to the Financial Statements

31 December 2003

## 14 INTANGIBLES (continued)

### (b) Goodwill

	GROUP	
	2003 \$000	2002 \$000
<b>Cost</b>		
Balance at 1 January and 31 December	688	688
<b>Accumulated amortisation</b>		
Balance at 1 January	229	–
Amortisation for the year	229	229
Balance at 31 December	458	229
<b>Unamortised amount</b>		
Balance at 31 December	230	459
<b>Total intangibles</b>	923	1,276

Amortisation of trademark and goodwill are included in the lines 'Distribution costs' and 'Administrative costs' on the consolidated profit and loss account respectively.

## 15 STOCKS AND WORK-IN-PROGRESS

	GROUP	
	2003 \$000	2002 \$000
<b>Stocks at cost</b>		
Engineering supplies and raw materials	5,357	5,240
Trading stocks	43,716	22,146
Total stocks at 31 December	49,073	27,386
Stocks are stated after deducting provision for stocks obsolescence of	3,046	2,845
<b>Work-in-progress</b>		
Costs incurred and attributable profits	443,160	429,076
Progress billings received and receivable	(426,345)	(404,714)
Excess of progress billings over work-in-progress transferred to trade creditors (Note 19)	10,249	3,111
Net progress billings	(416,096)	(401,603)
	27,064	27,473
Provision for project costs over-run	(3,377)	(2,755)
Net work-in-progress	23,687	24,718
Included in progress billings are retention sums of	9,258	10,301
<b>Total stocks and work-in-progress</b>	72,760	52,104

# Notes to the Financial Statements

31 December 2003

## 16 TRADE & OTHER DEBTORS

	GROUP		COMPANY	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
Trade debtors	126,895	129,837	2,234	1,529
Other debtors (Note 16a)	37,172	22,893	7,674	2,257
	<b>164,067</b>	152,730	<b>9,908</b>	3,786
Provision for doubtful debts				
- trade debtors	(5,756)	(11,189)	(339)	(307)
- other debtors	(1,022)	(1,089)	(53)	(53)
	<b>157,289</b>	140,452	<b>9,516</b>	3,426

### (a) Other debtors comprise:

Claims/expenses recoverable	152	308	214	3
Deposits	2,583	2,703	98	74
Interest receivable	431	310	1	1
Prepayments*	11,559	13,917	24	32
Project advance	8,695	1,442	-	-
Tax refundable/advance tax	3,445	795	1,336	-
Proceeds from disposal of other investment	5,927	2,071	5,927	2,071
Sundry debtors	4,380	1,347	74	76
	<b>37,172</b>	22,893	<b>7,674</b>	2,257

\* This relates mainly to purchase of trading stocks.

## 17 SHORT-TERM INVESTMENTS

	GROUP	
	2003 \$000	2002 \$000
Quoted equity shares at cost	52,637	-
Less provision for diminution in value	(532)	-
	<b>52,105</b>	-
Market value of quoted equity shares	<b>84,079</b>	-

## 18 BANK BORROWINGS

Bank overdrafts:		
- secured	13,189	7,685
- unsecured	4,768	1,351
	<b>17,957</b>	9,036
Trust receipts and bills payable:		
- secured	15,271	12,757
- unsecured	10,642	11,168
	<b>25,913</b>	23,925
	<b>43,870</b>	32,961

# Notes to the Financial Statements

31 December 2003

## 18 BANK BORROWINGS *(continued)*

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 respective holding companies.

## 19 TRADE & OTHER CREDITORS

	GROUP		COMPANY	
	2003 \$000	2002 \$000 (Restated)	2003 \$000	2002 \$000 (Restated)
Trade creditors	24,545	26,479	234	187
Accrued property development	1,317	2,144	–	2,144
Accrued staff cost	9,227	8,769	803	668
Accrued job cost	34,335	42,495	–	–
Other accruals	6,857	4,592	743	635
Progress billings in excess of work-in-progress (Note 15)	10,249	3,111	–	–
Deposits	6,807	7,030	4,561	4,663
Interest payable	1,625	1,185	1,081	770
Advances from customers	1,625	1,887	–	–
Sundry creditors	7,060	6,042	973	713
	<b>103,647</b>	<b>103,734</b>	<b>8,395</b>	<b>9,780</b>

## 20 TERM LOANS

Repayable within 1 year				
- secured	7,724	4,836	–	–
- unsecured	92,205	74,824	54,421	52,100
	<b>99,929</b>	<b>79,660</b>	<b>54,421</b>	<b>52,100</b>
Repayable after 1 year				
- secured				
- within 2 years	8,240	7,240	–	–
- within 3 to 5 years	57,242	60,587	–	–
	<b>65,482</b>	<b>67,827</b>	<b>–</b>	<b>–</b>
- unsecured				
- within 3 to 5 years	185,000	185,000	185,000	185,000
	<b>250,482</b>	<b>252,827</b>	<b>185,000</b>	<b>185,000</b>
	<b>350,411</b>	<b>332,487</b>	<b>239,421</b>	<b>237,100</b>

Term loans of \$73,206,000 (2002: \$72,663,000) 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 1.4% to 3.6% (2002: 1.6% to 3.6%) per annum.

# Notes to the Financial Statements

31 December 2003

## 21 DEFERRED TAXATION

	GROUP	
	2003 \$000	2002 \$000
Balance as at 1 January	2,728	1,646
Currency realignment	(26)	(71)
Charged/(credited) to profit and loss account	6	(228)
Acquisition of new subsidiary	-	1,381
Balance as at 31 December	<u>2,708</u>	<u>2,728</u>

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	2,253	2,136
Unremitted offshore income	1,106	949

### Deferred tax assets

General provisions	(28)	(14)
Other deferred tax assets	(623)	(343)
	<u>2,708</u>	<u>2,728</u>

## 22 SHARE CAPITAL AND SHARE PREMIUM

### GROUP AND COMPANY

2003 \$000	2002 \$000
---------------	---------------

### Share Capital

#### (a) Authorised:

7 <sup>1</sup> / <sub>2</sub> % cumulative preference shares of \$1.00 each	875	875
Ordinary shares of \$1.00 each	499,125	499,125
	<u>500,000</u>	<u>500,000</u>

#### (b) Issued and fully paid:

7 <sup>1</sup> / <sub>2</sub> % cumulative preference shares of \$1.00 each	875	875
Ordinary shares of \$1.00 each, converted into ordinary stock units of \$1.00 each	206,239	205,725
Share options exercised	3,863	514
	<u>210,102</u>	<u>206,239</u>
Balance at 31 December	<u>210,977</u>	<u>207,114</u>

The holders of ordinary and preference shares are entitled to receive dividends as and when declared by the Company. The voting rights of the shares are as follows:

- |                  |   |  |
|------------------|---|--|
| 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. |

# Notes to the Financial Statements

31 December 2003

## 22 SHARE CAPITAL *(continued)*

### (c) Outstanding Options

As at 31 December 2003, details of unissued shares of the Company under options were as follows:

#### United Engineers Executives' Share Option Scheme

Date of Grant	Exercise Price	No. of shares under option granted	No. of shares under option exercised during the financial year	No. of shares under option lapsed during the financial year	Balance as at 31.12.03
18.10.99	\$1.19	2,751,679	444,313	59,400	1,590,566

#### United Engineers Share Option Scheme 2000

Date of Grant	Exercise Price	Balance as at 31.12.02	No. of shares under option granted during the financial year	No. of shares under option exercised during the financial year	No. of shares under option lapsed during the financial year	Balance as at 31.12.03
6.12.00	\$1.14	2,413,700	–	576,000	91,500	1,746,200
5.11.01	\$1.01	2,864,000	–	894,740	121,800	1,847,460
4.10.02	\$1.07	2,385,200	–	289,000	90,500	2,005,700
12.12.03	\$1.61	–	2,569,000	–	–	2,569,000

### Share Premium

The share premium of \$194,000 (2002: Nil) may be applied only for the purposes specified in the Companies Act. The balance is not available for distribution of dividends except in the form of shares.

## 23 DIVIDENDS

	GROUP AND COMPANY	
	2003	2002
	\$000	\$000
Cumulative Preference Shares:		
7½% (2002: 7½%) less Singapore income tax, paid	51	51
Ordinary Stock:		
Final dividend of 5 cents (2002: 5 cents) less Singapore income tax, paid	8,075	6,433
	<b>8,126</b>	<b>6,484</b>

The directors have proposed a first and final dividend of 5 cents per \$1.00 ordinary stock, and a special dividend of 5 cents per \$1.00 ordinary stock, less Singapore income tax, amounting to a total of \$16,808,000 and a final dividend on the 7½% cumulative preference shares of \$1.00 each, less Singapore income tax, amounting to \$53,000.

# Notes to the Financial Statements

31 December 2003

## 24 FUTURE CAPITAL COMMITMENTS

	2003 \$000	GROUP	2002 \$000
Capital commitments not provided for in the financial statements:			
Commitments in respect of contracts placed	2,738		6,238
Other amounts approved by directors but not yet committed	6,158		6,843
	<b>8,896</b>		<b>13,081</b>

## 25 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:

	2003 \$000	GROUP	2002 \$000
Within one year	709		540
After one year but not more than five years	1,261		1,491
	<b>1,970</b>		<b>2,031</b>

## 26 RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions with an associated company:

	2003 \$000	GROUP	2002 \$000
Purchase of quoted equity shares*	49,952		-
Interest income	329		441

\* Pursuant to an internal restructuring exercise to simplify and streamline the shareholding structure of MFS Technology Ltd (MFS) in 2003, United Wearnes Technology Pte Ltd (UWT), an associated company of United Engineers (Singapore) Pte Ltd (UES), which is in turn a wholly-owned subsidiary of United Engineers Limited, transferred its investment in MFS to its ultimate shareholders. Arising from this exercise, UWT group transferred some 69,000,000 MFS shares at the price of \$0.72 per share to UES. The MFS shares were accounted for as short-term investments and the purchase consideration was recorded as an amount owing to UWT.

### Directors' remuneration

Directors' remuneration and fees amount to \$529,000 (2002: \$447,000) and \$211,000 (2002: \$211,000) respectively.

In addition to the above, Chemech Industries (Pte) Ltd, a company in which a director has deemed interest, performed consultancy services for the Company, which the Company paid \$240,000 (2002: \$240,000) which was at market rate.

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



# Notes to the Financial Statements

31 December 2003

## 27 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 trade and other receivables represent the Group's maximum exposure to credit risk. No other financial assets carry a significant exposure to credit risk. It is the Group's policy to sell to a diversity of creditworthy customers so as to reduce concentration of 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. The primary purpose of the Group's foreign currency hedging activities is to protect against volatility associated with foreign currency purchases of materials and other assets and liabilities created in the normal course of business. The Group does not use foreign currency forward exchange contracts for trading purposes. As at 31 December 2003, the Group entered into forward foreign currency exchange buy contracts amounting to \$1,440,000 (2002: \$Nil). The fair value of the contracts amount to \$1,474,000 (2002: \$Nil).

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

### 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.

### 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 (2002: \$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 \$50,656,480 (2002: \$51,708,000).

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 \$1,455,000 (2002: \$2,787,000). The expected cash flow from the unquoted investments are believed to be in excess of their carrying amounts.

# Notes to the Financial Statements

31 December 2003

## 28 SEGMENT INFORMATION

The Group's core businesses now comprise Engineering & Construction Division, Trading Division and Integrated Facility Management Division (comprising the services of the previous Property Division and Healthcare Management services) following a restructuring of the Group's businesses so that the organisation is streamlined and better focused to respond to the market and new trends.

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

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise corporate assets and expenses.

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 assets and capital expenditure are based on the location of those assets.

The following tables present revenue and profit information regarding industry segments for the years ended 31 December 2003 and 2002 and certain asset and liability information regarding industry segments at 31 December 2003 and 2002.

# Notes to the Financial Statements

31 December 2003

## 28 SEGMENT INFORMATION *(continued)*

### Business segments

	Engineering and Construction \$000	Trading \$000	Integrated Facility Management \$000	Corporate Services & Others \$000	Elimination \$000	Group \$000
<b>Year ended 31 December 2003</b>						
Segment Revenue						
Sales to external customers	206,767	172,400	84,819	520	–	464,506
Inter-segment sales	373	1,420	2,448	3,550	(7,791)	–
<b>Total revenue</b>	<b>207,140</b>	<b>173,820</b>	<b>87,267</b>	<b>4,070</b>	<b>(7,791)</b>	<b>464,506</b>
Segment result	4,166	(2,258)	21,576	(3,315)	–	20,169
Finance costs						(7,489)
Finance income						2,065
Share of results of associated companies	56,280	733	–	–	–	<u>57,013</u>
Profit before taxation						71,758
Taxation						(961)
Minority interest						<u>(17,998)</u>
<b>Net profit</b>						<b><u>52,799</u></b>
Segment assets	177,224	102,883	658,290	64,751	–	1,003,148
Investment in associated companies	132,871	4,992	–	175	–	<u>138,038</u>
<b>Total assets</b>						<b><u>1,141,186</u></b>
Segment liabilities	71,982	12,075	18,249	1,341	–	103,647
Unallocated liabilities						<u>400,119</u>
<b>Total liabilities</b>						<b><u>503,766</u></b>
<b>Other Segment Information</b>						
Capital expenditure	1,973	1,244	6,170	483	–	9,870
Depreciation	2,257	1,967	1,475	318	–	6,017
Amortisation	229	–	116	–	–	345
Deficit on revaluation of investment property	–	–	843	–	–	<u>843</u>

# Notes to the Financial Statements

31 December 2003

## 28 SEGMENT INFORMATION *(continued)*

	Engineering and Construction \$000	Trading \$000	Integrated Facility Management \$000	Corporate Services & Others \$000	Elimination \$000	Group \$000
<b>Year ended 31 December 2002 <i>(restated)</i></b>						
Segment Revenue						
Sales to external customers	215,671	170,005	87,916	94	–	473,686
Inter-segment sales	228	156	2,364	1,640	(4,388)	–
<b>Total revenue</b>	<b>215,899</b>	<b>170,161</b>	<b>90,280</b>	<b>1,734</b>	<b>(4,388)</b>	<b>473,686</b>
Segment result	5,302	(2,001)	27,077	(4,769)	–	25,609
Finance costs						(7,668)
Finance income						1,652
Share of results of associated companies	16,100	669	–	–	–	16,769
Profit before taxation						36,362
Taxation						(7,515)
Minority interest						(9,149)
<b>Net profit</b>						<b>19,698</b>
Segment assets	167,194	94,534	708,917	8,730	–	979,375
Investment in associated companies	148,037	4,769	–	172	–	152,978
<b>Total assets</b>						<b>1,132,353</b>
Segment liabilities	69,143	13,840	19,172	1,579	–	103,734
Unallocated liabilities						374,451
<b>Total liabilities</b>						<b>478,185</b>
Other Segment Information						
Capital expenditure	1,603	3,393	7,965	103	–	13,064
Depreciation	2,503	3,289	1,587	345	–	7,724
Amortisation	229	–	116	–	–	345
Deficit on revaluation of investment property	–	–	876	–	–	876

# Notes to the Financial Statements

31 December 2003

## 28 SEGMENT INFORMATION *(continued)*

### Geographical segments

The following table presents revenue and expenditure information regarding geographical segments for the years ended 31 December 2003 and 2002 and certain asset information regarding geographical segments at 31 December 2003 and 2002.

	Singapore \$000	Other Asean Countries \$000	Other Asian Countries \$000	Others \$000	Elimination \$000	Group \$000
<b>Year ended 31 December 2003</b>						
Segment Revenue						
Sales to external customers	193,597	141,038	128,171	1,700	–	464,506
Inter-segment sales	6,491	–	1,300	–	(7,791)	–
<b>Total revenue</b>	<b>200,088</b>	<b>141,038</b>	<b>129,471</b>	<b>1,700</b>	<b>(7,791)</b>	<b>464,506</b>
Other geographical information						
Segment assets	845,857	101,854	55,437	–	–	1,003,148
Capital expenditure	8,266	1,277	196	131	–	9,870
<b>Year ended 31 December 2002 <i>(restated)</i></b>						
Segment Revenue						
Sales to external customers	229,700	116,168	127,758	60	–	473,686
Inter-segment sales	3,271	18	1,099	–	(4,388)	–
<b>Total revenue</b>	<b>232,971</b>	<b>116,186</b>	<b>128,857</b>	<b>60</b>	<b>(4,388)</b>	<b>473,686</b>
Other geographical information						
Segment assets	851,161	82,858	45,356	–	–	979,375
Capital expenditure	11,435	1,215	414	–	–	13,064

## 29 COMPARATIVE FIGURES

Certain comparatives of sub-categories within Bank Borrowings (Note 18), Trade & Other Creditors (Note 19), Term Loans (Note 20) and Segment Information (Note 28) have been reclassified in accordance with current year's presentation.

Comparative figures for Bank Borrowings were restated as \$32,961,000 (2002: \$55,005,000) after reclassification to Term Loans which were restated as \$79,660,000 (2002: \$57,616,000) to better reflect the economic substance of the liabilities. Trade & Other Creditors have been restated to provide additional disclosures regarding accruals of different nature. The reclassification for segment reporting arises from the internal restructuring of the Group's businesses during 2003. Such improved disclosures are beneficial to financial statement users.

## 30 AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements of the Company for the year ended 31 December 2003 were authorised for the year ended 31 December 2003 were authorised for issue in accordance with a resolution of the directors on 26 March 2004.

# Information On Preference Shareholders And Ordinary Stockholders

As at 8th March 2004

## 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
210,548,540 Ordinary Shares of \$1.00 each converted into Stock Units	210,548,540

## 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	25.64	431	7.45
1,000 – 10,000	21	53.85	4,060	70.14
10,001 – 1,000,000	8	20.51	1,278	22.08
1,000,001 and above	-	-	19	0.33
	39	100.00	5,788	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	14.60
The Straits Trading Company Limited	-	-	26,609,240	12.64
WBL Corporation Limited	-	-	21,712,000	10.31
** Kambau Pte Ltd	69,000	7.88	1,197,333	0.57

\* Also deemed to have an interest in :-

(1) 612,300 preference shares, of which 580,160 preference shares were held by The Great Eastern Life Assurance Company Limited, 20,500 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 Stockholders

As at 8th March 2004

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

As at 8th March 2004, approximately 57% 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 21st January 2004, 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	7.88
3. Kim Eng Securities Pte. Ltd.	45,350	5.18
4. The Shaw Foundation Pte Ltd	40,000	4.57
5. Oversea-Chinese Bank Nominees Pte Ltd	20,500	2.34
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 Insurance Fund	11,640	1.33
9. Ng Ing Liang	11,000	1.26
10. Hatim Fidahusein Nakhoda	9,640	1.10
	<hr/> 818,710	<hr/> 93.55

### Twenty Largest Ordinary Stockholders

	Number of stock units held	%
1. The Great Eastern Life Assurance Company Limited	30,731,916	14.60
2. The Straits Trading Company Limited	26,609,240	12.64
3. WBL Corporation Limited	21,712,000	10.31
4. Oversea-Chinese Bank Nominees Pte Ltd	10,119,783	4.81
5. DBS Nominees Pte Ltd	8,428,967	4.00
6. United Overseas Bank Nominees (Private) Ltd	7,342,096	3.49
7. Capital Intelligence Limited	7,325,000	3.48
8. The Overseas Assurance Corporation Limited	6,214,479	2.95
9. Singapore Investments Pte Ltd	2,656,554	1.26
10. Kota Trading Company Sendirian Berhad	2,579,432	1.23
11. Citibank Nominees Singapore Pte Ltd	2,284,463	1.09
12. Lee Foundation	2,174,597	1.03
13. Boon Kia Hak Martin (Wen Jiahe Martin)	1,838,666	0.87
14. Tropical Produce Company Pte Ltd	1,713,557	0.81
15. Eng Hueng Fook Henry	1,390,000	0.66
16. Selected Holdings Pte Ltd	1,237,666	0.59
17. Sim Hay Lum	1,200,000	0.57
18. Kambau Pte Ltd	1,197,333	0.57
19. Morph Investments Ltd	1,189,667	0.56
20. Cheong Soh Chin Julie	957,333	0.45
	<hr/> 138,902,749	<hr/> 65.97

# Properties

## MAJOR PROPERTIES HELD BY THE GROUP AS AT 31 DECEMBER 2003.

Type of Property	Address	Description	Tenure of Land	Land Area	Group's effective interest	Held By	Valuation as at 31/12/2003
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 878 years	355,023 sqft (32,982 sqm)	100%	United Engineers Limited	S\$450 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 6 years	294,773 sqft (27,395 sqm)	100%	United Engineers Limited	N.A. -
Warehouse complex known as UE Tech Park (Completed)	8 & 10 Pandan Crescent, Singapore	2 blocks of 6 storey and 5 storey warehouse space	92 years 8 months leasehold from 1/10/1975. Remaining lease of 63 years	348,497 sqft (32,376 sqm)	90%	United Tech Park Pte Ltd	S\$120 million
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 park.	99 years leasehold from 12/12/1996. Remaining lease of 92 years	12,906 sqft (1,199 sqm)	100%	UE Ville Developments Pte Ltd	S\$17 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 872 years	5,242 sqft (487 sqm)	96.25%	Greearth Developments Pte Ltd	S\$7.4 million
Residential Apartments	519 Fu Shan Road/ 400 Pudian Road, Pudong District, Shanghai, China	75 apartment units Stage of completion: Building structure completed.	70 years of leasehold from 8/6/2001.	65,649 sqft (6,099 sqm)	100%	United Engineers Developments Pte Ltd	N.A. -



# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Ninetieth Annual General Meeting of the Company will be held at 81A Clemenceau Avenue, 5th Storey, Park Avenue Suites, UE Square, Singapore 239918, on Tuesday, 27 April 2004 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 2003.
- 2(a). To declare a dividend of 7½% on the Cumulative Preference Shares, less income tax, for the year ended 31 December 2003, as recommended by the Directors.
- 2(b). To declare a first and final dividend of 5 cents per ordinary stock, less income tax, for the year ended 31 December 2003, as recommended by the Directors.
- 2(c). To declare a special dividend of 5 cents per ordinary stock, less income tax, for the year ended 31 December 2003, as recommended by the Directors.
3. To re-elect Mr Lai Teck Poh, a Director retiring under Article 99 of the Articles of Association of the Company.
4. To re-elect Dr Michael Lim Chun Leng, a Director retiring under Article 99 of the Articles of Association of the Company.

*Note : Dr Lim, if re-elected, will remain as an Audit Committee member, 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 (2002:\$211,000).
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.

# Notice of Annual General Meeting

## 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;

(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.”

# Notice of Annual General Meeting

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  
6 April 2004

*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.



(Incorporated in the Republic of Singapore)

# Proxy Form

### IMPORTANT

- 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.
- 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.

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 27 April 2004 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		
(c)	Declaration of Special Dividends on Ordinary Stocks		
3.	Re-election of Mr Lai Teck Poh under Article 99 of the Articles of Association of the Company		
4.	Re-election of Dr Michael Lim Chun Leng 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 \_\_\_\_\_ 2004.

\_\_\_\_\_  
 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.