Enhancing Customers’ and Shareholders’ Value
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CORPORATE PROFILE

United Engineers Limited enjoys an enviable reputation as the engineering company in the region. With 90 years of knowledge and a vast project track record accumulated since 1912, we have developed into a major multi-skilled corporation.

Today, with our operations centred in Singapore, our 3000 staff world-wide are engaged in engineering and construction, manufacturing and equipment supply, healthcare services, property, information technology and trading and distribution. The Group’s corporate strategy is to continue to enhance customers’ and shareholders’ value by building on the shared strengths of these inter-related core businesses.

Through this strategy, we will forge our long established skills and expertise, wide-ranging experience and good reputation into a solid platform of service quality to drive profitable growth.
GROUP TURNOVER BY PERCENTAGE – 2002

- Engineering And Construction: 42%
- Manufacturing And Equipment Supply: 7%
- Healthcare Services: 15%
- Property: 9%
- Information Technology: 1%
- Trading and Distribution: 26%
I am pleased to report that, in 2002, the Group operated comparatively well in a difficult global economic environment. Although the weak regional economy and especially the depressed property and construction sectors in Singapore affected most of our businesses and slowed their growth, overall the Group’s turnover increased by 7% to $473.7 million. Net earnings were up 43% to $19.7 million.

OVERVIEW
The improvement in our operating results over 2001 was attributable to three major factors:

(1) The Group’s track record and multi-technical resources have enabled us to secure increasingly larger and higher value-added projects such as the Biomedical Research Complex at Buona Vista, the underground Kallang-Paya Lebar Expressway, and the building of the liquid module of the Changi Water Reclamation Plant.

(2) Our earlier overseas investments have started to contribute, for example the Anhui Hefei Power plant in China and several completed infrastructure projects in Indonesia, Brunei, Sabah and Sarawak. As recently announced by the Building and Construction Authority of Singapore, our wholly-owned subsidiary, United Engineers (Singapore) Private Limited was ranked as the number one Singapore company in the category ‘Top Ten Contractors in 2001 by Overseas Contract Value’ with a total of $256 million worth of projects outside Singapore. Our position in the overseas construction and engineering market was recently further strengthened by our entering into a joint venture agreement with the Singapore subsidiary of the China State Construction Engineering Corporation (CSCEC). CSCEC is one of the largest conglomerate construction and engineering enterprises in China with some 240,000 staff and can provide manpower support for the Group to jointly explore projects in the region.

Our regional marketing network was expanded during the year to include the Indian sub-continent. Two new offices were established in Mumbai and New Delhi to bring us closer to our customers. This has also opened up a whole new and potentially large market for our healthcare management services. The medical institutions there, after seeing our high quality of services for hospitals in Singapore, Malaysia, Taiwan and Hong Kong, have sought our assistance in upgrading their facilities and services.

Also, leveraging on our international network and our ‘McAlister’ brand in the agency business, last year we sold and creating value
delivered construction and engineering equipment not only to neighbouring countries but also to clients in Australia, New Zealand and the Middle East.

(3) The Group benefited from lower interest rates in financing, and the reduction of the Singapore income tax rate from 24.5% to 22%.

However, in a recessionary environment, the increase in provisions for doubtful debts has impacted the Group’s operating profit which, after exceptional items, fell to $25.6 million from $34.1 million in 2001. The decline was attributed largely to doubtful debt provisions of $7.1 million, foreign exchange losses of $3.1 million (including unrealised exchange losses of $1.5 million) and reduced gross margins, offset by a $6.5 million reduction in interest expense.

The share of the profit of associated companies of $16.8 million was attributed mainly to the better performance of United Wearnes Technology Pte Ltd and Anhui Hefei United Power Generation Company Limited (AHUP) which contributed $3.2 million and $11.7 million ($4.9 million after minority interest) respectively.

As compared to 2001, earnings per ordinary share increased by 42% to 9.5¢ from 6.7¢. However, net tangible asset per share declined from $2.81 to $2.73 as a result of the downward re-valuation of the Group’s investment properties – UE Square and UE Tech Park – from $655.0 million to $632.5 million.

At the end of 2002, the Group’s net borrowings increased 19% to $286 million due to additional working capital required to fund increased business activities. As a result of the downward re-valuation of the investment properties, our net debt equity ratio (borrowings less bank balances over shareholders’ fund) edged up to 51% compared to 41% at the end of 2001.

DIVIDENDS
The Board recommends payment of a full dividend on the 7½% Cumulative Preference Shares of $1.00 each (2001: 7½%) as well as a first and final dividend of 5 cents per $1.00 Ordinary Stock (2001: 4 cents), less Singapore Income Tax at 22% (2001: Singapore Income Tax at 22%). The total dividend payment amounts to $8.1 million.

As of 31 December 2002, the Section 44 tax credit balance of the Group amounted to approximately $15.5 million. At the current tax rate of 22% and present stockholding, the Company has sufficient tax credit to distribute by way of dividend of up to $70 million in the next 5 years out of revenue reserve.
SECTORAL REVIEW

Turnover of the Engineering and Construction Division grew by 10% to $199.0 million from $180.2 million in 2001 because of increased business both overseas and in Singapore. However, operating profit of the Division decreased from $11.7 million in 2001 to $7.9 million as a result of higher doubtful debt provisions in the engineering sector.

In the construction sector, our 85% subsidiary, Greatearth Construction Pte Ltd, which specialises in high quality building continued its good performance and contributed $11.9 million to the Division’s operating profit, about the same level as last year.

To further expand our technical resources, our wholly owned subsidiary, Applied Construction & Engineering (M) Sdn Bhd acquired during the year a 60% stake in APG Geo-Systems Sdn Bhd, a leading Malaysian specialist geo-technical and foundation engineering company.

The Manufacturing and Equipment Supply Division also registered higher turnover, up 54% to $31.5 million from $20.5 million, boosted by increased production of specialty bulk containers from its Indonesian plant. Losses in the Division were accordingly reduced to $0.9 million, from $2.7 million in 2001.

In Malaysia, our 66% subsidiary, McAlister Engineering Sdn Bhd, which specialises in the manufacture of Teflon-lined IMO/ISO tank containers for the transportation of specialty chemicals, continued to operate at a small profit but its major markets in Japan still showed no sign of recovery.

Turnover of the Healthcare Services Division declined slightly from $82.2 million to $74.0 million due to the early completion of a major five-year government hospital support services contract in Malaysia. Operating profit was reduced to $2.2 million from $2.6 million.

In Singapore, the Division’s integrated facility management services are now also in high demand by non-medical MNC clients who find greater value in outsourcing such services for some of their manufacturing facilities.

In the core hospital management services area in 2002, the Division’s quality services were recognised when its operating teams at Changi General Hospital and KK Women’s and Children’s Hospital received Gold awards at the National QCC ceremonies.
In Taiwan, the Division further expanded its customer base after winning contracts to provide management support services to TriService Military General Hospital, Veterans General Hospital and National Taiwan University Hospital, all major government healthcare facilities. Our wholly owned subsidiary, UMC ServiceMaster Taiwan Limited retained its position as the largest service provider in Taiwan’s healthcare sector.

Turnover of the Property Division increased by 9% to $44.0 million due to higher net rental income with improved occupancy rates from UE Square, UETech Park and our service apartment operation. The strategic location and modern facilities of UE Square and UETech Park continued to attract international companies. Additionally, our third party property management services have begun to contribute. The Division’s operating profit in 2002 rose 5% to $25.8 million from $24.5 million in 2001.

Leveraging on its ‘Park Avenue’ brand in the operation of serviced apartments and serviced offices, the Division established Park Avenue International to expand its business to the region, initially to Shanghai where it acquired 75 apartments. Plans are also being finalised to operate serviced apartments in Beijing in 2003.

The main activity of the Information Technology Division is the provision of systems integration services for the radio and TV broadcasting industry. In a recessionary environment, orders from both the public and private sectors in the region have slowed, however, the Division has several projects in the pipeline which are likely to be executed in 2003.

Turnover of the Trading and Distribution Division rose by 7% to $124.6 million from the expansion of its international trading and distribution network to include new markets in India and China. Compared to 2001 when the Division recorded an operating profit of $3.1 million, it incurred a loss of $2.5 million in 2002 mainly due to the provision for foreign exchange loss of $1.5 million and lower gross margins.

PROSPECTS FOR 2003

With the global economic slowdown and uncertain geopolitical situation in the Middle East, demand for engineering and construction services in most countries in the region will continue to be sluggish in 2003. In a recessionary
environment, major clients are adopting increasingly more stringent criteria in the selection of contractors and service providers with special emphasis on their track record, technical and financial resources. In this respect, the Group’s track record and multi-disciplinary technical resources have helped to enhance our competitive edge to enable us to secure larger and higher technology content contracts both in Singapore and overseas. This is evidenced by the order book in hand which currently stands at $618 million, more than double the $304 million in February last year.

Also, our investment of resources into the region in past years is starting to show results. Our businesses in the ASEAN countries, China and India should continue to contribute positively to the Group’s results.

In view of the above, the Directors expect, barring unforeseen circumstances, the Group’s net earnings in the current year to be higher than in 2002.

BOARD AND MANAGEMENT
The Board and Management are committed to ensuring high standards of corporate governance. I am grateful to my fellow Directors for their invaluable contribution to the work of the Board and its Audit, Nominating and Remuneration Committees.

The Board would like to thank all staff for their dedication and hard work which made it possible, despite the weak global economic environment, to grow rapidly the Group’s order book by securing larger and higher technology content contracts both in Singapore and overseas. To meet the requirements of our expanding business, we have to further expand our human and technical resources. The Group will launch shortly a recruitment programme for project managers and engineers and other specialists.

The Board also thanks our customers, unions, business partners and shareholders for their support.

Tang I-Fang
Chairman
25 February 2003
CORPORATE INFORMATION

BOARD OF DIRECTORS
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

AUDIT COMMITTEE
Thai Chee Ken
Chairman
Dr Tan Eng Liang
Dr Michael Lim Chun Leng

NOMINATING COMMITTEE
Dr Michael Lim Chun Leng
Chairman
Thai Chee Ken
Tang I-Fang

RENUMERATION COMMITTEE
Tang I-Fang
Chairman
Lai Teck Poh
Jackson Chevalier Yap Kit Siong

COMPANY SECRETARY
Eileen Lim
Group Company Secretary

REGISTERED ADDRESS AND HEAD OFFICE
83 Clemenceau Avenue
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Singapore 239920
Facsimile : 6830 8398
Telephone : 6830 8383
Website : www.uel.com.sg

REGISTRAR
Barbinder & Co Pte Ltd
8 Cross Street
#11-00 PWC Building
Singapore 048424
Facsimile : 6236 3405
Telephone : 6236 3333

AUDITORS
Ernst & Young
Certified Public Accountants
Partner in charge (since 1998):
Liew Choon Wei

PRINCIPAL BANKERS
Bangkok Bank Public Company Limited
Credit Industriel et Commercial
Oversea-Chinese Banking Corporation Limited
The Development Bank of Singapore Limited
The Hongkong and Shanghai Banking Corporation Limited
Westdeutsche Landesbank Girozentrale

FINANCIAL CALENDAR
28 August 2002
25 February 2003
8 April 2003
29 April 2003
6 May 2003
7 May to 9 May 2003
22 May 2003

Announcement of 2002 Half Year Results
Announcement of 2002 Full Year Results
Notice of Annual General Meeting
Annual General Meeting
Last date for registration of transfers
Books Closure Dates
Dividend Payment Date
### FIVE YEAR FINANCIAL PROFILE OF THE GROUP

#### INCOME STATEMENT ($’000)

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<tbody>
<tr>
<td>Turnover</td>
<td>473,686</td>
<td>441,669</td>
<td>396,961</td>
<td>434,684</td>
<td>375,061</td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>36,362</td>
<td>20,415</td>
<td>25,540</td>
<td>13,569</td>
<td>9,081</td>
</tr>
<tr>
<td>Taxation</td>
<td>(7,515)</td>
<td>(6,045)</td>
<td>(6,259)</td>
<td>(4,918)</td>
<td>(4,060)</td>
</tr>
<tr>
<td>Profit after taxation</td>
<td>28,847</td>
<td>14,370</td>
<td>19,281</td>
<td>8,651</td>
<td>5,021</td>
</tr>
<tr>
<td>Profit attributable to stockholders</td>
<td>19,698</td>
<td>13,766</td>
<td>12,992</td>
<td>11,087</td>
<td>6,149</td>
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#### BALANCE SHEET ($’000)

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<tbody>
<tr>
<td>Fixed assets</td>
<td>703,184</td>
<td>718,660</td>
<td>812,747</td>
<td>782,362</td>
<td>758,765</td>
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<tr>
<td>Non-current investments</td>
<td>155,765</td>
<td>157,465</td>
<td>147,892</td>
<td>143,788</td>
<td>136,187</td>
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<tr>
<td>Net current assets</td>
<td>163,395</td>
<td>119,666</td>
<td>112,895</td>
<td>135,640</td>
<td>113,915</td>
</tr>
<tr>
<td></td>
<td>1,022,344</td>
<td>995,791</td>
<td>1,073,534</td>
<td>1,061,790</td>
<td>1,008,867</td>
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#### Stockholders’ equity

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<tbody>
<tr>
<td>Minority interests</td>
<td>565,113</td>
<td>579,423</td>
<td>663,574</td>
<td>632,794</td>
<td>590,535</td>
</tr>
<tr>
<td>Short and long-term borrowings</td>
<td>89,055</td>
<td>89,370</td>
<td>84,111</td>
<td>73,300</td>
<td>69,478</td>
</tr>
<tr>
<td>Deferred taxation</td>
<td>365,448</td>
<td>325,352</td>
<td>324,706</td>
<td>355,119</td>
<td>347,940</td>
</tr>
<tr>
<td></td>
<td>1,022,344</td>
<td>995,791</td>
<td>1,073,534</td>
<td>1,061,790</td>
<td>1,008,532</td>
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</tbody>
</table>

#### Net borrowings

<table>
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<tr>
<td></td>
<td>285,876</td>
<td>240,481</td>
<td>238,221</td>
<td>229,751</td>
<td>274,049</td>
</tr>
</tbody>
</table>

#### Debt to equity

<table>
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<tr>
<td></td>
<td>0.51</td>
<td>0.41</td>
<td>0.36</td>
<td>0.36</td>
<td>0.46</td>
</tr>
</tbody>
</table>

Note: In arriving at net current assets, short-term borrowings have been excluded but intangible assets have been included.

### PER STOCK UNIT

#### Earnings (cents)

- profit attributable to ordinary stockholders after preference dividend
  | 9.5 | 6.7 | 6.3 | 5.4 | 3.0 |

#### Ordinary dividends

- gross (cents) | 5.00 | 4.00 | 4.00 | 3.00 | 3.00 |
- net (cents) | 3.90 | 3.12 | 3.02 | 2.22 | 2.22 |
- cover (times) | 2.43 | 2.15 | 2.08 | 2.42 | 1.34 |

#### Net tangible assets

| 2.73 | 2.81 | 3.23 | 3.07 | 2.85 |

Note: All comparative figures of prior years have been restated to take into account adoption of SAS12 – Income Taxes.
LISTING OF BUSINESS CAPABILITIES

ENGINEERING & CONSTRUCTION

Building Services
Design, Supply, Installation, Commissioning & Maintenance of:
• Air-conditioning & Ventilation System
• Building Automation System
• Fire Protection System
• L.V. Electrical Distribution System
• H.V. Electrical System
• Plumbing & Sanitary System

Construction
Building & Civil Engineering Works
• Commercial & Government Buildings
• Hospitals & Medical Offices
• Condominiums & Conventional Housing
• Factories, Industrial Buildings & Business Parks
• Sports & Recreational Club Complexes
• Basements, Carparks, Roads & Bridges
• Hotels & Service Apartments
• Schools, Theatres, Auditoriums & Educational Institutions
• Religious & Columbarium Complexes
• Retrofitting & Conservation Buildings
• Military Institutions
• Telecommunications Complexes
• Biomedical Research Complexes

Industrial Engineering
• Environmental Engineering
• Incineration Plants
• Industrial Plants
• Sewage Treatment Plants
• Thermal Power Plants
• Water Treatment Plants

MANUFACTURING & EQUIPMENT SUPPLY

Manufacturing & Fabrication
• Customised vehicles for special applications, including trailers
• Steel structures for power plants, chemical complexes, high rise buildings, bridges, airport aero-bridges
• Intermediate Bulk Containers
• Power Transmission & Broadcasting Towers
• IMO/ISO Tanks
• Storage Tanks

Equipment Supply & Services
• Steel Fabrication
• Steel Bars and Plates
• Steel Pipes and Fittings
• Installation and maintenance of transport systems such as monorail
• Corrosion protection services and preservation
• Maintenance of industrial equipment
• Mechanical road sweepers
• Cranes for defence and marine industries
• Airport ground supporting equipment
• Terminal prime movers for ports and airports
• Industrial batteries

Industrial Equipment
• Generator Sets
• Air Compressors
• HT/LV Transformers
• Combined Resistive/Inductive Loadbanks
• Synchronising Panels
• Power Cables
• Power Distribution Panels
• Boomlifts

LoadTesting Services
• Vessel Turbines/Generators
• Factory Standby Generators
• Testing of Electrical Busbars in Buildings
HEALTHCARE SERVICES
Facility Management (Hospitals & Other Institutions)
- Housekeeping Maintenance Services
- Laundry/Linen Management Services
- Clinical Equipment Maintenance Services
- Bio-Hazardous Waste Management
- Plant Operations and Maintenance
- Integrated Facility Management
- Centralised Transportation & Despatch Services

Medical Equipment
- Marketing and Distribution of Medical Equipment to Major Hospitals and Clinics
- Supply of Medical Disposables, Therapeutic & Diagnostic Clinical Equipment
- Clinical Equipment Maintenance & Repair Facilities

Consumer Products
- Manufacturers of Healthcare Products
- Marketing and Distribution Services
- Suppliers to Pharmacies, Supermarkets, Drugstores and Department Stores

Pharmaceuticals
- Manufacturers of Generic Pharmaceuticals
- Marketing and Distribution Services
- Suppliers to Hospitals, Clinics and Industries
- Chain Retail Pharmacies

PROPERTY
Investment Holding
- Property Investment
- Residential & Commercial Development
- Industrial Warehouse Development

Management Services
- Project & Fit-Out Construction Management
- Marketing & Corporate Leasing of Commercial/Industrial Space
- Management of Lease and Tenancy Administration
- Management of Serviced Apartments & Serviced Office Operations
- Retail Management of Shopping Mall Operation
- IT Services & Systems Maintenance
- Building Management and Property Maintenance

INFORMATION TECHNOLOGY
Broadcasting Products
- Analog TV & Radio Transmission Systems (Upgradable to Digital with LDMOS Technology)
- Digital TV & Radio Transmission Systems (DVB-T/DAB)
- Turnkey Transmission Solutions
- Broadcast Systems Integration
- Studio-to-Transmitter Links (STL)
- Transmitter-to-Studio Links (TSL)
- Digital Microwave Links
- Multiplex Systems for Pay TV Channels
- Multichannel Multipoint Distribution Service (MMDS)

Satellite Telecommunication Systems
- Uplink & Downlink Systems
- VSAT Communications
- Earth Stations
- Satellite Transponder Lease
- Turnkey DTH Solutions

TRADING & DISTRIBUTION
Construction Steel Products & Building Materials
- Deformed Bars
- Angles & Channels
- Wire Rod Coil
- HR & CR Coil
- Billets
- Paints & Accessories

Agricultural & Forestry Produce
- Beans, Pulses and Peas
- Feed Grain
- Rice
- Fertiliser
- Agricultural Chemicals
- Timber Logs
Praisehaven – the unique Salvation Army Institution Building at Upper Bukit Timah Road, built by United Engineers (Singapore) Private Limited.
The Engineering And Construction Division undertakes infrastructure projects, process engineering, building construction and all engineering-related services.

United Engineers (Singapore) Private Limited (UES), a wholly owned subsidiary of the UE Group, provides a wide spectrum and combination of engineering services not readily found in engineering companies within the region. This encompasses civil engineering and building construction, mechanical and electrical services and process engineering for the power, water and environmental sectors.

In 2002 the Company successfully attained certifications for:

- OHSAS 18001:1999 – Occupational Health and Safety Assessment Series

The conferring of these prestigious awards marks another significant milestone in the Company’s list of achievements and provides the impetus to UES to continue maintaining the highest standards and quality services in our engineering and construction works. The Company also maintained the highest level of certification for Building, Civil Engineering, Mechanical Engineering and Electrical Engineering with the Building and Construction Authority (BCA) of Singapore.

Despite the depressed state of the construction industry UES registered a growth of 122% with a turnover of $71.8 million in FY2002.

The Construction Division has capabilities to perform a wide range of construction works including ‘design & build’ projects. In 2002 the Division successfully completed within time and budget the Biopolis basement and foundation works in joint venture with Greatearth Construction Pte Ltd. We also secured a contract for the design, supply and installation of temporary works to a section of the Kallang-Paya Lebar Expressway valued at $34 million. Thanks to an innovative design and launching system, we were awarded a contract by the National Parks Board to construct an arch steel bridge across the Kallang River despite our bid not being the lowest offer.

The Building Services Division successfully completed the $8 million electrical works to the Harbour Front Project for PSA, the
$6 million ACMV contract for the new ACS School at Bukit Timah and the fire protection services for the Cargo Agent Building ‘B’ at Changi Airfreight Centre. A large $21 million building services contract was also secured during the year for the electrical and ACMV services to the new National Library building at Victoria Street, Singapore.

Late in the year, the Company secured a major contract, valued at $200 million from PUB for the Liquid Module 1, M&E works, Contract C3C to the Changi Water Reclamation Plant. Potable and Waste Water Treatment will become part of the Company’s major specialised core business.

Greatearth Construction Pte Ltd (Greatearth), an 85% subsidiary incorporated in March 1981, was in the first batch of BCA registered companies to achieve the revised A1 financial grade in general building and A2 in civil engineering. The Company was also among the pioneer batch to obtain certification in the BCA’s Integrated Management Systems (ISO 9001:2000, ISO 14001:1996 and OHSAS 18001:1999).

The ‘Greatearth’ brand name enjoys a reputation in the market as a quality main contractor in the construction of residential, industrial, commercial and institutional buildings both in the private and public sectors. Greatearth has full capabilities for ‘design & build’ projects emphasising buildability and quality. In addition to construction, Greatearth has entered into a 50:50 joint venture with the Group’s Property Division to undertake property development and management activities in Singapore and overseas. The Company has now become a comprehensive properties’ service provider offering feasibility studies, conceptual design, development, project management and building enhancement.

Owing to its good track record with high quality services, despite the severe slowdown in the construction sector, Greatearth was able to clinch several prestigious projects in 2002. These included the construction of high-end condominiums at Cairnhill and Grange roads, the erection of the Church of St. Ignatius at King’s Road and the ‘design & build’ project at Nee Soon Camp for Defence Science & Technology Agency (DSTA).

During the year Greatearth successfully completed the sub-structure works to seven blocks of the multi-storey Biomedical
1. Phase 1 of the Telecommunications Complex at 38 Kim Chuan Road is built by Greatearth Construction Pte Ltd.

2. Construction of CHIJ Our Lady of The Nativity Church undertaken by Greatearth Construction Pte Ltd.

3. The Great Eastern building at Pickering Street/China street is protected by United Engineers (Singapore) Private Limited’s fire protection installations.

4. United Engineers (Singapore) Private Limited secured the contract to construct the proposed Whampoa Park Connector Extension and Footbridge across Kallang river due to its innovative design.

Research Complex at Buona Vista Science Hub for JTC, the driving range with club facilities at Island Club Road for Singapore Island Country Club and the 10-storey telecommunication complex (Phase I) at Kim Chuan Road for Singapore Telecommunications Limited.

Notably, Greatearth was conferred with several awards for its high construction and safety standards. The Company was awarded the Safety Merit Award for IBM’s regional office and the Construction Excellence Merit Award for the Raffles Town Club. The 2002 Conquas scores of 80.3 and 84.7 respectively for the condominium at No. 1 Holt Road and IBM’s regional office at Changi Business Park were among the highest certified by BCA.

Financially, despite lower turnover, the Company was able to maintain double digit growth in its net earnings, owing to operational efficiency and productivity. As of 31 December 2002, Greatearth had a committed order book in excess of $100 million.

UWB Pte Ltd was restructured to become the industrial engineering arm of UES in 2002. The Company completed the Granulation/Tableting ‘Augmentin’ Plant of Glaxo Smith Kline in Jurong, Singapore and the maintenance and repair contract for the Seawater Cooling System at Changi Naval Base which was originally designed and installed by the Company. The Company continued to pursue equipment procurement contracts on the Changi Water Reclamation Plant. It is also progressing discussions to provide side loaders, transporters and other equipment to the DSTA.

As sole agent for a portable water purification plant, the Company undertook marketing activities and appointed sub agents in South East Asia to help drive growth in this area of its business.

The Division’s decision in 1999 to venture abroad, focusing on infrastructure and building projects, has proved to be a good move as we have now established a reputable name in countries such as Indonesia, Malaysia and Brunei.

PT UE Sentosa, a 60% subsidiary in Indonesia, continued to perform well despite increasing competition. A major accomplishment was obtaining the ISO 9002 certification.
Operationally, the Company successfully completed both phases of the large Cempaka Mas shopping complex valued at $19 million and the Legenda Wisata shopping centre at Cibubu. Work on the $24 million Antasari mixed development at Banjarmasin progressed well during the year and is expected to be completed by mid 2003.

With continued improvement in its technical staff support and company infrastructure, the Company was successful in securing the contract for a mega shopping complex at Medan valued at $23 million for the Phase I works. The Company also obtained a Letter of Intent for the complete design, supply and installation of a $5 million ‘Sea-World’ aquarium for a theme park at Samarinda, Indonesia.

United Engineers (B) Sdn Bhd (UEB), a 90% subsidiary and a certified ISO 9002 company, continues to be an active player in the construction industry in the Sultanate of Brunei.

In 2002, the Company was awarded a major highway project linking the Tutong-Telisai districts. Work on the Grand Hall for the University of Brunei is progressing well and expected to be completed by early 2003. During the year, UEB also received two honorary awards from the Public Works Department - JKR Brunei for achieving the highest standards of safety and health performance in the industry.

As a major reputable contractor in Brunei, UEB is expected to benefit positively from the up-turn in both the private and public sectors with continued improvement in the economy and consequently the construction industry. UEB is also largely responsible for developing and marketing the Company’s activities in Sabah and Sarawak, East Malaysia.

Applied Construction & Engineering (M) Sdn Bhd (ACE), a wholly owned subsidiary, continues to expand its market for construction works in East Malaysia with successful results culminating in the award of a concrete bridge contract at Sarikai, Sarawak and a RM17 million school building at Kota Belud, Sabah.

ACE has also expanded its operations to West Malaysia, with a main office located at Kuala Lumpur. In its maiden year of operation there, the Company successfully negotiated a contract to build a 29-storey super luxurious condominium project in
The Singapore Press Holdings headquarters at Toa Payoh North is installed with fire protection systems by United Engineers (Singapore) Private Limited.

PT UE Sentosa is appointed as the contractor for Sun Plaza, a high-end shopping mall in Medan, Indonesia.

Minister for Trade & Industry, BG George Yeo visiting the Hefei No.2 Power Plant, Hefei, China on 23 August 2002.

APG Geo-Systems Sdn Bhd undertook the jet grouting works for a sewerage plant in Port Dickson.

the exclusive ‘Millionaires Row’ of Penang. With its experienced and dedicated management staff, the Company will work towards building a brand identity for quality projects.

In the course of the year, ACE successfully concluded negotiations with APG Geo-Systems Sdn Bhd (APG) and acquired a 60% stake in APG.

APG Geo-Systems Sdn Bhd (APG) is a leading Malaysian specialist geo-technical and foundation engineering company incorporated in 1993. The Company is the only major Malaysian specialist contractor to provide a full range of geo-technical and foundation engineering services, and is very much a front-runner for ground engineering services in Malaysia.

APG is classified as a Class G7 contractor with unlimited tendering capacity in Malaysia. Its expertise and design strengths will also be enlisted to support the Division in Singapore, Brunei and Indonesia with alternative engineering methods and design. In 2002, APG undertook the soil improvement works for the double tracking railway project in Ipoh using stone columns, as well as an earth stabilisation contract utilising jet grouting for the construction of retaining structures for a sewerage plant in Port Dickson. In addition, it completed several infrastructure projects including outer ring roads in Kuala Lumpur involving bridge foundation.

United Power Corporation (Singapore) Pte Ltd, a 42% associated company in joint venture with a subsidiary of the Government of Singapore Investment Corporation and Singapore Power International Pte Ltd, continues to hold a 49% stake in Anhui Hefei United Power Generation Company Limited (AHUP) in China.

In 2002, the Hefei No. 2 Power Plant (HPP), a 2x350MW coal-fired power plant in Anhui Province successfully completed its first full year of operation smoothly and profitably. During the year, the electricity tariff was increased after several meetings with government authorities upon the successful completion of the start-up phase. The project is expected to continue to be profitable in 2003.
Large capacity power generators are among the specialised industrial equipment supplied by UE-Tradetec (Singapore) Pte. Ltd. particularly to the marine industry.
MANUFACTURING AND EQUIPMENT SUPPLY

delivering results

The Manufacturing And Equipment Supply Division engages in manufacture of IMO/ISO tank containers, aero-bridges, steel fabrication, specialised industrial and construction equipment, and specialty chemical products.

MANUFACTURING PLANTS
McAlister Engineering Sdn Bhd (MESB) is a 66% subsidiary in joint venture with Nippon Sharyo Limited and Mitsui & Company Limited. It specialises in the manufacture of IMO/ISO tank containers for the transportation of specialty chemicals, liquefied gases and food products, and is ISO 9002 accredited. In the teflon-lined and other specialty tanks business, the Company has built up its reputation as a quality manufacturer.

In 2002, despite the extremely weak global demand for specialty tank containers, the Company was able to maintain its profitability through higher productivity and cost control. Other measures to improve performance included broadening the product line and, accordingly, the Company developed and marketed atmospheric storage tanks in the course of the year. Currently, MESB is in the final stages of producing its first refuse compactor prototype, expected to be offered to the market in 2003.

PT United Engineers Indonesia (PTUEI), a 60% subsidiary, specialises in the design, fabrication and erection of steel structures. In 2002, the Company secured and executed the manufacture of 36,000 units of specially designed Intermediate Bulk Containers. In recognition of the quality of its customised design services, PTUEI secured a larger contract to manufacture 90,000 Intermediate Bulk Containers in 2003.

During the year, the Company also secured projects to build transmission towers for PT Indosiar, a broadcasting company, and structured racks to carry pipes for PT Arun, a natural gas liquefaction company. As a further reflection of the versatility of its skills, the Company is currently developing the Air Flue Gas Ducts project for Mitsui Engineering which is intended for the Tarahan Coal Fired Steam Power Plant.
MANUFACTURING AND EQUIPMENT SUPPLY

With its good track record PTUEI intends in 2003 to enlarge its business in the oil and gas sector where it expects to secure higher value-added projects.

EQUIPMENT SUPPLY

McAlister and Company Limited (McAlister), a wholly owned subsidiary, provides a broad range of specialised industrial equipment, engineering services, metal products and fabrication and system integration.

Major projects handled during the year included steel structures for MRT tunnelling works, refurbishment of specialised vehicles, maintenance of army workshops, army vehicles and navy vessels.

McAlister intends to grow its business by widening its range of products and customer base. Examples of the extended range of industrial equipment handled in 2002 are steel bars, steel plates, road sweepers, mobile and lorry cranes, fire engines, ladders and suits, waste compactors, specialised vehicles, excavators and hydraulic equipment. Leveraging on the Company’s reputation and marketing network, many of these products were exported to countries including Hong Kong, New Zealand, Australia, Philippines, Indonesia, Thailand and Malaysia. Additionally, McAlister is extending its specialised supply and install services to include mass transit and environment-related equipment markets.

The metalform business continued to be highly competitive, compounded by the slowdown in construction of new public housing. However, U E-Tradetec (Singapore) Pte Ltd (UE-Tradetec) maintained a healthy volume supplying metalforms to more than 30 worksites in Singapore, though prices came under pressure.

The Company has been building up its second ‘leg’ in industrial equipment business over the past two years. In 2002 the Company secured a 2-year contract with the Keppel Group to supply large capacity generators to its four shipyards. It also ventured into the supply of loadbanks for testing of vessel turbines at shipyards and testing of standby generators installed at factories. Apart from generators, it also supplied boomlifts to both construction and ship-repair yards in Singapore.

Prospects for the supply of industrial equipment to the ship-repair yards in 2003 remain bright as the marine sector is expected to be buoyant, and continue growing from the double digit levels seen in 2002.
1 UE-Tradetec (Singapore) Pte Ltd was contracted to supply large capacity generators to Keppel Group’s four shipyards.

2 Steel structures provided by McAlister and Company Limited for MRT tunnelling works at Marina Circle Line.

3 PT United Engineers Indonesia completed the manufacture of 36,000 units of specially designed Intermediate Bulk Containers and immediately secured a large contract for another 90,000 units.

4 A water purification system using reverse osmosis technology was developed by Delichem Pte Ltd.

5 Fire engines were amongst the extended range of equipment handled in 2002 by McAlister and Company Limited.

**PROPRIETARY TECHNOLOGY**

Delichem Pte Ltd (Delichem) has developed a water purification system using reverse osmosis (RO) technology for both households and industrial use. In 2002, it sold two such units of industrial water purified systems to customers in Thailand and Indonesia.

Delichem is a wholly owned company with three subsidiaries: Delichem Sdn Bhd, Design Entice (M) Sdn Bhd and Delichem (Thailand) Co Ltd. Based on proprietary know-how, the Company provides a complete solution by designing and fabricating the equipment as well as supplying customised specialty chemicals to its customers in the electronics industry, especially those using hard disc drives to exacting standards. As hard disc drives become smaller and memory capacity bigger, and standards become more stringent, Delichem’s products will be the preferred choice for many of these multinational companies.

Through its research and development, the Company expanded in 2002, the grades of its proprietary BIO-CITRUS® as well as the production of ultra-pure IPA (Iso-Propyl Alcohol). BIO-CITRUS®, a registered trademark of the Company, is a water-based cleansing solution that is both non-toxic and environmentally friendly. Ultra-pure IPA is an electronic grade alcohol used in a clean-room environment in the production of wafers in the semi-conductor business.
“At Alexandra Hospital, we put our ‘Patients First’ in everything that we do. We couldn’t have found a better partner – UMC ServiceMaster – to help us achieve this goal in the past one year. UMC staff are dedicated, responsible and caring – qualities that help them understand our specific needs as a healthcare provider committed to addressing patients’ needs. Thank you for being part of the AH family.”

Mr Liak Teng Lit, CEO Alexandra Hospital, on the occasion of receiving the Environment Achievement Award from Mr Lim Swee Say, Minister of the Environment.
quality service

The Healthcare Services Division provides management support and services to hospitals, commercial buildings and educational establishments, wholesale supply of pharmaceuticals, medical products and equipment.

United MediCorp Pte Ltd (MediCorp), a wholly owned subsidiary, operates the Healthcare Division of the UE Group. The activities of its subsidiary and associate companies include provision of premier support management services to healthcare institutions, educational institutions, and commercial and industrial establishments, distribution of medical equipment and wholesale of pharmaceutical products.

Under the difficult and challenging business environment in 2002, the Division took advantage of the slowdown in activities to change and further refine its business models to cater to new trends emerging in the market. Additionally, the organisation was restructured to capture new opportunities arising from a changing market as well as to increase the competitiveness and responsiveness of the Division. A key change involves transforming from the provision of traditional support management services into a one-stop integrated facility management division to meet all the facility management needs of our customers.

The Division also started to make inroads into the China healthcare market in the area of medical equipment supply.

INTEGRATED FACILITY MANAGEMENT SERVICES

The introduction of integrated facility management services was well received across the region as customers increasingly look to working with a single trusted integrated outsource solutions provider rather than with multiple parties in meeting their facility management requirements. The concept of a one-stop solution is particularly attractive to multinationals and larger manufacturing facilities. In the last 12 months the division has secured over 20 new multinational customers including Fortune 500 and Global 500 companies.
UMC ServiceMaster Pte Ltd, a wholly owned subsidiary, continues to perform well both financially and operationally in an increasingly competitive market in the healthcare sector in Singapore. The Company made significant inroads in the commercial and industrial markets by securing more contracts from world-class companies such as Hewlett Packard, Sun Microsystems and Samsung. In the area of training and development, the Company was awarded the National Model Organisation by Spring Singapore for its contribution to the national skills recognition system (NSRS). It is recognised as both a NSRS Approved Training Centre and NSRS Assessment Centre. The Company continues to receive recognition for the delivery of quality services to its customers. During the year, its teams at both Changi General Hospital and KK Women’s and Children's Hospital won the National QCC Gold awards.

UMC ServiceMaster Taiwan Limited continues to build on its established reputation and remained the largest service provider in Taiwan’s healthcare sector. Revenue grew by over 20%, marking the seventh year of sustained growth for the Taiwan operations. The Company made significant progress into the public healthcare market by securing contracts in major government healthcare facilities including the TriService Military General Hospital, Veterans’ General Hospital and National Taiwan University Hospital. The introduction of integrated facility management services targeting small and medium enterprises enjoyed wide customer acceptance and growth. This service was particularly popular with customers from small commercial businesses who wanted premier quality facility management but did not have the organisation infrastructure and budget of larger institutions.

ServiceMaster Hong Kong Limited had another difficult year given the depressed performance of the Hong Kong economy and a further cut in the Hospital Authority’s budget. In response, the Company concentrated its efforts on developing the non-healthcare sector as well as on training and development. The alliance with the City University of Hong Kong to provide training and development programmes for the service sector received good market acceptance. Business development activities to cover China has also commenced, and the Company appointed a distributor for its automated Central Transportation and Despatch software to hospitals in China.

UMC ServiceMaster Sdn Bhd grew its private healthcare and commercial and industrial market. The Company enjoyed a four-fold increase in new customers including world-class
Mr. K.L. Wang, General Manager of UMC ServiceMaster Taiwan Limited, was featured in a special interview on the Company’s competitive advantages during difficult times, in Business Times Weekly, a leading magazine in Taiwan.

One of the training sessions for the staff of UMC ServiceMaster Taiwan Limited at the TriService Military Hospital.

A ServiceMaster Hong Kong Limited housekeeper at work at the Li Ka Shing Specialist Clinics, Hong Kong.

The VascuLight SR, the latest and most advanced aesthetic system, is exclusively distributed by Goodman Medical Supplies Limited.

Dr. Mist – a multi-action hygienic body spray exclusively distributed by Grafton Pharmasia Pte Ltd.

Companies such as Agilent and DHL. Much interest has been shown by operators of industrial parks and major manufacturing facilities in the one-stop solution concept. This is expected to result in further growth of the industrial sector in 2003. The overall performance of the unit in 2002, however, was adversely impacted by the early completion and non-renewal of the government hospital support services contract as the client had decided to keep the work in-house.

**MEDICAL EQUIPMENT**

*Goodman Medical Supplies Limited* grew some 15% in spite of tougher economic conditions in Hong Kong and a cut in the operating budgets of Hospital Authority-related hospitals. The Company reduced its dependence on the government hospital sector and expanded its range of products to the community healthcare sector. As a result its sales to the community healthcare sector increased by more than 50% in 2002. Total sales to the hospital sector are currently about 60% of turnover compared to some 80% in past years.

This transformation of the business model will continue in 2003. The Company has commenced operations in China and was appointed the sole distributor for China, of MGE, a leading UK-based manufacturer of suction equipment. The Company was also awarded the distributorship for Radiancy, the market leader in light and heat energy equipment for cosmetic purposes, and Lumenis, a market leader for intensive light pulse products. These agencies will allow the Company to make significant inroads in the China healthcare and cosmetic surgery market.

**PHARMACEUTICALS**

*Grafton Pharmasia Pte Ltd* continues to grow as a marketing and distribution company dealing in wholesale healthcare and personal care products. Revenue grew by 9% with the introduction of new agency lines. Two popular brands, ‘Dr. Mist’ multi-action hygienic body spray and ‘Thomson’ activated Gingko for blood circulation, were launched in Singapore in the third quarter and are expected to generate good growth for the coming years, while existing dermatological brands such as ‘Ego’ and ‘Douglas’ continue to enjoy significant growth through support from key dermatologists.

The Company continues to seek opportunities overseas and has made inroads into Malaysia, Thailand, Sri-Lanka, and Bangladesh.
For us the customers always come first – Park Avenue Suites at UE Square
customer focused

The Property Division manages the Group’s commercial and industrial properties, operates serviced apartments and offices and provides comprehensive building-related services.

United Engineers Developments Pte Ltd (UED), a wholly-owned subsidiary, undertakes three core businesses: managing the Group’s own commercial and industrial properties with a leaseable area of 1.2 million square feet; operating serviced apartments and serviced offices under our Park Avenue brand name and providing comprehensive project and property management services in Singapore and overseas.

COMMERCIAL – OFFICE & RETAIL

UE Square – Clemenceau Avenue In the midst of the global political and economic uncertainties, our Office Tower, Shell House, which is strategically located along River Valley Road near to the Orchard Road corridor, achieved almost full occupancy in 2002. Several of our other multi-national company (MNC) tenants committed to renew their leases in Shell House, which reflects well on our continuous efforts in providing efficient facility management and IT services.

Park Avenue Serviced Office Our Park Avenue Serviced Office continued to enjoy good occupancy despite the current uncertain environment where many companies are not willing to commit to long-term leases. Coupled with our serviced apartment operations, we are able to offer a complete package to foreign companies setting up a base in Singapore. This synergy gives us a competitive edge. Additionally, our Park Avenue Business Centre has also been well utilised for providing seminar and business teleconferencing facilities to both existing office tenants and external parties.

Shaw House Serviced Office As part of our serviced office expansion strategy and taking advantage of the current weak office rental market, we launched our second serviced office of 26 suites at Shaw House, Orchard Road. Being along the fringe of CBD and in the heart of Singapore’s prime shopping area, our new serviced office is a very attractive alternative to the Raffles Place/Marina area where more than 85% of serviced offices are located. Operations commenced in third-quarter 2002.

UE Square Shopping Mall Our marketing strategy to position UE Square Shopping Mall as a one-stop lifestyle retail mall has been successful as several new retailers were signed up in 2002. These include Meson’s, Addiction Homes, Fuenti and The Other Emporio which
together with the other tenants offer a comprehensive range of products and services such as kitchen systems, furniture, fashion apparel, children’s enhancement programmes and fine dining. Our major tenant, Renewal Day Spa continues to offer premier spa services, which further enhance the niche positioning of our Mall in supporting the ‘healthy’ lifestyle trend in Singapore. In conjunction with the World Cup 2002, our retail management team successfully staged a UE mini-world cup tournament at the Mall in June 2002.

A new addition to our tenancy list, and the night scene along Mohamed Sultan Road, is Connoisseur Divine, a Hong Kong-based cigar bar which holds exclusive distribution rights for all Cuban brands of Havana Cigars for the Asian and South Pacific regions.

**The Conservation Retail Shophouses - South Bridge Road** jointly developed with our sister company Greatearth Construction, these refurbished conservation shophouses, located within the Chinatown conservation area, achieved almost full occupancy in 2002. Our retail units have been leased as food and beverage outlets while our office tenants are mainly in consultancy services. With the opening of the new People’s Park MRT Station scheduled in 2003, demand for these shophouses will increase.

**INDUSTRIAL - WAREHOUSING**

**UE Tech Park** at Pandan Crescent is jointly owned by UE Group and our minority partner, Ascendas Land (Singapore) Pte Ltd. Consisting of two blocks of multi-storey modern warehousing, UE Tech Park saw healthy occupancy at well above 90% thanks to its ideal location adjacent to the West Coast Highway, and its proximity to the container ports. Due to its strategic location and excellent facilities such as ample loading docks, UE Tech Park was the choice of a number of MNCs operating in the region.

Formerly the UE Group’s headquarters, **UE Centre** at Jurong currently houses the engineering units of our subsidiary companies. The premises are also partly leased to external warehouse tenants in heavy industries. Located on the highway only some 3km from the second link to Malaysia, UE Centre continues to attract industrial supplies companies relocating their warehousing premises to this strategic location.

**HOSPITALITY SERVICES - PARK AVENUE**

**Park Avenue Suites - UE Square** Our brand name Park Avenue Suites is now quite well known as it has established a reputation in the market over the past few years for consistently providing a high level of service. As a result, we were able to achieve high occupancy of above 90%, even in the midst of a downturn in the rental market. In third-quarter 2002, we commenced upgrading works as the apartments were already 5 years old. Upon completion of these works, the
1 UE Square Complex, with its premium offices, serviced apartments and quality retail outlets, commanded very high occupancy rates.

2 Park Avenue Residences, at Kim Yam Road, offers the expatriate customers an interesting “conservation concept” and lifestyle alternative for working and living in Singapore.

3 A new residential development in the prime Pudong District, Shanghai, China, comprises studio, 2- and 3-bedroom units. We have acquired 75 of these apartments, currently under construction, and will market these under our Park Avenue International brand name in 2004.

A number of units will be increased from 130 to 150 and these will further strengthen our ability to offer different apartment lay-outs and pricing options.

Park Avenue Residences Another alternative to our serviced apartments is our 36-unit Park Avenue Residences situated at Kim Yam Road adjacent to the UE Square Complex. The Residences have achieved good occupancy rates since opening in mid 2001 as they offer our expatriate customers an interesting lifestyle alternative for working and living in Singapore. Despite adopting a “conservation” concept, residents still enjoy modern amenities such as a gymnasium, swimming pool and facilities at the Business Centre.

Given our experience and expertise in the serviced apartment business, and leveraging on our brand name, we are currently reviewing new opportunities in key cities within the region especially in China and Indonesia. With this strategy we will pursue a two-pronged approach: acquiring projects either on our own or through joint ventures with building owners; and procuring management contracts from building owners to operate their projects as serviced apartments.

Park Avenue International - Pudong, Shanghai, China In 2002 recognising the growing demand for good quality and well serviced apartments in Shanghai, we acquired a residential property under construction in the prime Pudong District. We will market the 75 units, comprising studio, 2- and 3-bedroom apartments, as serviced apartments under our Park Avenue International brand name. Future residents will be able to enjoy the use of facilities such as the indoor heated pool, sauna, gymnasium and business centre located at a 15,000 square feet clubhouse. We expect to commence operations in third-quarter 2004.

Concurrently, to strengthen our Park Avenue International brand name further, we are pursuing the possibility of expanding our serviced apartment operations to China and Indonesia with potential joint venture partners.

FACILITY MANAGEMENT - NETProp Services

NETProp Services was established to provide an integrated approach to facilities management and IT services to our MNC tenants and other building owners. In addition to the maintenance of our own properties, we are managing the Park and River Wing of UE Square Condominium which was sold to private purchasers in 1994. We have established extensive facility management and IT capabilities, and can offer a comprehensive range of services, focusing on management systems and excellent delivery of building and IT services.
We provide system integration and turnkey engineering to support the broadcast and telecommunications industry.
harnessing technology

The Information Technology Division provides services, equipment and management support for the telecommunications and broadcasting industries.

The IT Division provides turnkey engineering and integrated solutions for the broadcast and telecommunications industries in the region through MPL Pte Ltd (MPL), a 70% owned subsidiary of the UE Group.

In 2002 MPL was awarded major contracts valued at about $17 million for installing and equipping two new private TV broadcasting networks stations in South Asia. Despite a difficult and competitive environment, the Company also completed several other contracts for the supply of transmission systems to TV broadcasters in South East Asia.

However in Cambodia, the Company faced difficult operating conditions and decided to cease operations. Its two subsidiaries United Media Limited and Media Services Limited will be dormant until operating conditions improve.

To enhance brand awareness and showcase its capabilities to the broadcast industry in the Asian region, MPL conducted a series of marketing campaigns involving advertising in broadcast magazines, broadcast events’ sponsorships and customer seminars.

In 2002 MPL established a partnership with Ngee Ann Polytechnic and Asia Pacific Broadcasting to develop a technical broadcast training centre that will provide specialised training to personnel from broadcasters in the region.

In the second half of 2002, MPL commenced supplying and installing equipment to licenced cellular phone operators in Indonesia. Major operators such as Telkomsel, Excelcomindo and Indosat IM3 are aggressively growing the cellular phone market from its present relatively low market penetration. Currently MPL is building and equipping an average of 25 Base Transmission Stations (BTS) a month and expects to double this to 50 BTS a month in 2003 due to an increase in demand for its services. This new business venture was profitable in 2002 and is expected to continue to grow in 2003.

MPL expects that with these initiatives and track record in Indonesia, it will expand its market base to the region.
Timber logs being readied for export by UE Trade Corporation (Bangladesh) Pte Ltd.
The Trading And Distribution Division is a leading regional trader for agricultural and forestry produce, construction steel products, building materials and automotive and industrial hardware.

**UE Trade Corporation Pte Ltd (UETC)**, a wholly-owned subsidiary, is the holding company and headquarters of the Trading & Distribution Division of the UE Group. The Company has subsidiaries in India, Bangladesh and Myanmar and procurement operations centres in North East China.

UETC has built a reputation as a leading regional trader around its market network and specialised skills in developing countries. Usually, these countries need to acquire foreign exchange through export of agricultural produce in order to import higher value-added products such as IT equipment steel and fertiliser. UETC straddles the local and international trading chain by utilising its local know-how derived through its subsidiaries in these target markets, and investing the resources necessary to allow these subsidiaries to add value in the supply chain by buying directly from source suppliers and selling directly to end-users. This approach allows the Company to leverage on local opportunities not available to the international trading companies.

**UETrade Corporation (India) Private Limited (UETCI)** is the latest addition to the UETC Group and was incorporated in India during the year. Offices have been established in Delhi and Mumbai. UETCI business has taken off rapidly through its synergy with Myanmar, Bangladesh and China operations. Despite commencing imports only in August 2002, UETCI has already become one of the leading importer/distributors of beans and pulses from Myanmar and China. UETCI has also commenced exports with shipments of rice to Indonesia. We anticipate UETCI will grow over the next two years to become the biggest contributor to the Trading & Distribution Division. India, with its large agriculture base and a population of one billion people, offers exciting opportunities for trade, distribution and value-addition.

**UE Bangladesh Pte Ltd** was renamed as **UETrade Corporation (Bangladesh) Pte Ltd (UETCB)** during the year. With the finalisation of increased trade facilities, UETCB grew its maize and rice trade and commenced sugar imports. The Company has also successfully identified and developed substantial opportunities in Bangladesh for other divisions within the UE Group.
UE Myanmar Ltd (UEML), the oldest operation of the UETC Group, was incorporated in Myanmar in 1993 and grew to become one of the country’s biggest and most successful trading companies. However, in 2002 the Government of the Union of Myanmar in a major revamp of its economic policy decided to stop all foreign-owned trading companies in Myanmar from engaging in imports, exports and all local business. In compliance with these policies, UEML has ceased domestic business in Myanmar and will convert to merely a Representative Office. However, UETC continues to be a leading offshore trader with Myanmar, and in November 2002, UETC was awarded a contract to supply 100,000 mt of urea worth about US$15 million to the Myanmar Government. UETC also remains one of the biggest buyers of timber, maize and beans from Myanmar authorities and private companies.

UETC commenced purchasing activities in North East China in 2002 and is one of the biggest buyers of green mung beans in that region. UETC anticipates that with WTO membership, China will be an increasingly important agricultural commodity exporter and importer, and will work diligently to lay the groundwork to participate actively in that market.
REPORT ON CORPORATE GOVERNANCE
The Group is committed to maintaining high standards of corporate governance, and has adopted and complied, wherever feasible, with the recommendations of the Code of Corporate Governance (the Code). Pursuant to Rule 710(2) of the Listing Manual, we set out below the details of our governance processes, including explanations where deviations from the Code were adopted in the interest of the Group.

1. **BOARD MATTERS**

   The Board comprises 6 directors namely:

   1. Mr Tang I-Fang (Chairman)
   2. Dr Tan Eng Liang
   3. Mr Thai Chee Ken
   4. Mr Lai Teck Poh
   5. Mr Jackson Yap (Group Managing Director)
   6. Dr Michael Lim

   Mr Tang, the non-executive Chairman of the Board and Mr Lai, another non-executive director, are not considered as independent directors by virtue of their employment by a substantial shareholder/deemed substantial shareholder of the Company. Mr Yap, the Group Managing Director leads the management team and has executive responsibilities, and is therefore not considered an independent director. The remaining 3 directors, namely Mr Thai, Dr Tan and Dr Lim are all non-executive, independent directors, hence more than one-third of our directors are independent.

   The Group has adopted internal guidelines on matters which require Board approval. These principally include major policy decisions, business strategies, significant legal and financial issues, announceable matters, appointment and termination of directors and key management staff and other matters as may be considered by the Board from time to time.

   The Group considers the present Board size of 6 members to be optimal, given the background, qualifications and experience of its directors. Should the scope of business activities change, the directors would consider sourcing for appropriate additions at the right time.

   The Board has set up sub-Board Committees pursuant to the Code, and these are detailed in the pages that follow, which also provide information on the number of meetings held at Board and Committee level and the attendance of members.

   Whenever a new member joins the Board, an in-house orientation programme, including briefings from various business units, is arranged. In the course of a year various ongoing training programmes are also made available to the directors.

   The Board is accountable to the shareholders. It meets at least 4 times a year for regular scheduled meetings, and as often as may be required to deal with ad hoc matters that may arise from time to time. In respect of scheduled meetings and as a matter of best practices, board papers and briefing notes including management accounts and commentaries on the Group’s performance are usually submitted at least 2 working days in advance. All Board members have direct and independent access to the Group Company Secretary and other senior management staff. Internal guidelines have been adopted to ensure that Board members may consult with such professional advisers, costs of which are borne by the Company, as may be necessary to assist them in the discharge of their duties.

   The Company's Articles of Association already provide for telephone and conference meetings as well as for one-third of its directors to retire by rotation every year.
## INFORMATION ON DIRECTORS

<table>
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<tr>
<th>Name</th>
<th>Professional Qualifications</th>
<th>Board Committees</th>
<th>Date of 1st Appt/Date of Last Re-election</th>
<th>Nature of Appointment</th>
<th>Other Appointments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tang I-Fang</td>
<td>DUBC, BSc Mech. Eng National Central University of China, MBA, Harvard University</td>
<td>Chairman, United Engineers Limited, Chairman, Remuneration Committee, Member, Nominating Committee</td>
<td>13.2.1987, Re-appointed on yearly basis pursuant to S. 153(6), Companies Act</td>
<td>Non-Executive</td>
<td>Executive Chairman, WBL Chairman, Wearnes Int’l (1994) Ltd Deputy Chairman, Straits Trading Director, Singapore Press Holdings, OCBC Wearnes &amp; Walden Investments and several companies overseas</td>
</tr>
<tr>
<td>Tan Eng Liang</td>
<td>D. Phil. Oxford University</td>
<td>Member, Audit Committee</td>
<td>8.2.1988, 21.6.2000</td>
<td>Non-Executive, Independent</td>
<td>Director, Flextech Holdings, Pokka Corporation, and several public service committees</td>
</tr>
<tr>
<td>Thai Chee Ken</td>
<td>Fellow, Institute of Chartered Accountants, Australia, Member, Institute of Certified Public Accountants, Singapore</td>
<td>Chairman, Audit Committee, Member Nominating Committee</td>
<td>21.9.1992, 29.5.2001</td>
<td>Non-Executive, Independent</td>
<td>Director, Keppel Land Limited, Lindeteves-Jacobberg Ltd, Schroder Investment Management (Singapore) Limited, member of several public service Boards &amp; Committees</td>
</tr>
<tr>
<td>Lai Teck Poh</td>
<td>B.A. (Hons) University of Singapore</td>
<td>Member, Remuneration Committee</td>
<td>24.9.1992, 28.5.2002</td>
<td>Non-Executive</td>
<td>Head, Group Risk Mgmt, OCBC Bank</td>
</tr>
<tr>
<td>Jackson Yap</td>
<td>BSc Chemical &amp; Materials Engineering, University of Auckland</td>
<td>Member, Remuneration Committee</td>
<td>24.11.1999 Executive Position, not subject to retirement by rotation</td>
<td>Executive</td>
<td>Director, Apex Healthcare Berhad, Applied Engineering Pte Ltd</td>
</tr>
<tr>
<td>Michael Lim</td>
<td>MBBS (S’pore) M MED (Int M ed) MRCP, FAMS, FRCP</td>
<td>Chairman, Nominating Committee, Member, Audit Committee</td>
<td>3.3.2000, 28.5.2002</td>
<td>Non-Executive, Independent</td>
<td>Cardiologist, Member of Parliament, Director, Citiraya Industries Ltd, Reed Group Holdings Ltd</td>
</tr>
</tbody>
</table>
There is clear division of responsibility between the Chairman and the Group Managing Director. The Chairman’s position is non-executive in nature, and relates to the workings of the Board as a whole, while the Group Managing Director leads the management team in the execution and implementation of strategic goals and day-to-day operations.

The number of directors and committee meetings held during the year and attended by each director are set out below:

<table>
<thead>
<tr>
<th>Board of Directors</th>
<th>Directors’ Meeting (Scheduled Meetings)</th>
<th>Audit Committee</th>
<th>Nominating Committee</th>
<th>Remuneration Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Held*</td>
<td>Attended</td>
<td>Held*</td>
<td>Attended</td>
</tr>
<tr>
<td>Tang I-Fang</td>
<td>4</td>
<td>4</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Tan Eng Liang</td>
<td>4</td>
<td>4</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Thai Chee Ken</td>
<td>4</td>
<td>4</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Lai Teck Poh</td>
<td>4</td>
<td>4</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Jackson Yap</td>
<td>4</td>
<td>4</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Michael Lim</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
</tbody>
</table>

* Reflects the number of meeting held during the time the Director held office
Note: RC Meeting includes Scheme 2000 Committee Meeting.

2. BOARD COMMITTEES
Pursuant to the Code’s recommendations, the following Board Committees with specific terms of reference for each committee, have been formed:

(a) Audit Committee (AC)
The AC comprises Mr Thai Chee Ken (Chairman), Dr Tan Eng Liang and Dr Michael Lim, all of whom are non-executive and independent directors. Mr Thai, the Chairman of the AC, is a chartered accountant by profession, while both Dr Tan and Dr Lim are actively involved with various commercial organisations, and have related financial management experience. During the course of the year, the AC met twice to:

(i) review the internal and external audit plans and reports, and the effectiveness and adequacy of material control mechanisms, and the audit function,

(ii) review the financial statements and announcements of the Group and recommended the same to the Board for approval,

(iii) review the independence and performance of external auditors and recommended their re-appointment,

(iv) review the volume of non-audit services undertaken by the external auditors.

The Group has an independent in-house internal audit department (IAD) staffed by qualified personnel. The IAD reports primarily to the AC, and administratively to the CEO. An audit charter has been adopted to mandate the IAD to review amongst other areas, the Group’s material internal controls and risk management measures.
In performing its duties, the AC also met with the Group’s internal and external auditors, both with and without the presence of management. The Group has complied with SGX’s Best Practices Guide on Audit Committees. The AC confirms that it has reviewed the non-audit services undertaken by Ernst & Young and these would not in its opinion, affect the independence of Ernst & Young as auditors. Accordingly, the AC has also recommended the re-appointment of Ernst & Young as external auditors of the Group.

(b) Nominating Committee (NC)

The NC is chaired by Dr Michael Lim, a non-executive, independent director. He is joined by Mr Thai Chee Ken, also a non-executive, independent director and Mr Tang I-Fang, a non-executive non-independent director.

The NC meets at least once a year, and more often if required. The NC focuses on:-

(i) evaluating the performance of individual directors and the Board as a whole, via an assessment process that takes into account various criteria including attendance and participation at meetings, quality of decision-making, share price performance and profitability,

(ii) determining the independence of each director on an annual basis and recommending the re-election of directors to the Board or Board Committee as may be appropriate,

(iii) identifying and proposing suitable candidates for appointment as Directors.

(c) Remuneration Committee (RC)

The RC has the following members:-

Tang I-Fang (Chairman)
non-executive, non-independent

Lai Teck Poh
non-executive, non-independent

Jackson Yap
executive, non-independent

The RC held two meetings in 2002. Its primary functions are:-

(i) to administer the Group’s share option schemes,

(ii) to determine and recommend appropriate employment terms and compensation packages of senior executives,

(iii) to evaluate and propose payment of directors’ fees for the approval of members in general meeting.

Given the above objectives, the NC has determined that notwithstanding that Mr Tang and Mr Lai are not considered independent directors, they are to be considered ‘independent’ for the purposes of membership on the RC, as they are independent of management, and do not have any relationships that would interfere with the exercise of their judgment as members of the RC. There is no conflict of interest in respect of their roles as full-time executives of companies which are or are deemed to be substantial shareholders of the Company, and as an RC member of the Company. All 3 RC members are senior management staff of their respective companies and have adequate knowledge of compensation matters. Mr Yap as an executive director abstains from any discussions or decisions concerning his own remuneration package.
Directors’ fees are proposed in accordance with a framework comprising basic fees and additional fees for other duties or serving on specialised committees. The Chairman of the Board or the Committee is paid twice the fee of a member. Executive directors do not receive directors’ fees. Fees are subject to the approval of members at the Annual General Meeting.

In deriving and approving appropriate remuneration packages, the RC is mindful of factors such as employment conditions within the industry, roles and responsibilities of the individuals and the need to link rewards to performance. The Group also has in place long-term incentive schemes such as its share option schemes for executives as part of its remuneration mix and as a staff-retention tool. Details of these schemes are found in the Directors’ Report.

The remuneration of directors and key executives are set out belows:-

**DIRECTORS’ REMUNERATION**

<table>
<thead>
<tr>
<th>Remuneration Band</th>
<th>Directors Fees %</th>
<th>Salary %</th>
<th>Bonus %</th>
<th>Other Benefits %</th>
<th>Total %</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 - $250,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tang I-Fang</td>
<td>100%</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Tan Eng Liang</td>
<td>100%</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Thai Chee Ken</td>
<td>100%</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Lai Teck Poh</td>
<td>100%</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Michael Lim</td>
<td>100%</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>$250,001 - $500,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jackson Yap</td>
<td></td>
<td>72.5%</td>
<td>18.1%</td>
<td>*9.4%</td>
<td>100%</td>
</tr>
</tbody>
</table>

* excludes share options – no share options were exercised by Mr Jackson Yap during the financial year under review.

**KEY EXECUTIVES REMUNERATION**

In the interest of maintaining confidentiality, good morale and a strong spirit of team work within the Group, the disclosure will relate to the top 8 key executives of the Group (including Group Managing Director) within bands of $250,000.

<table>
<thead>
<tr>
<th>Remuneration Bands</th>
<th>No. of Executives</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 - $250,000</td>
<td>4</td>
</tr>
<tr>
<td>$250,001 - $500,000</td>
<td>3</td>
</tr>
<tr>
<td>$500,001 - $750,000</td>
<td>1</td>
</tr>
</tbody>
</table>

3. INFORMATION ON KEY EXECUTIVES

Management is accountable to the Board. The Management team is led by Jackson Yap, the Group Managing Director. Brief particulars of the Group’s other key executives are set out below:-

(a) Chang Chew Kient - Chief Executive Officer, Healthcare Services Division

Mr Chang holds a Bachelor’s degree in Applied Science Engineering from the University of Toronto, Canada, as well as a Master of Business Administration from Saint Mary’s University, Canada. He joined the Group in 1989 as an Operations Manager, and is now the Chief
Executive Officer of the **Healthcare Services Division.** Prior thereto he was a lecturer at Saint Mary’s University, and a business consultant. Mr Chang is also active in volunteer work and serves on a number of not-for-profit committees.

(b) **Chua Hock Tong – Managing Director, Greatearth**

Mr Chua graduated from the Royal Melbourne Institute of Technology University, Australia, with an Associate Diploma in Quantity Surveying. He has extensive experience in the construction industry and set up **Greatearth Construction Pte Ltd (Greatearth)** in 1981. In 1990, he sold 85% of the equity stake to the Group, retained a 15% stake, and continues to serve as the Managing Director of the Greatearth group of companies. Greatearth is renowned as a reputable building and civil engineering contractor in the construction of residential, industrial, commercial and prestigious buildings for both private and public sector.

(c) **Stephen Huen – Managing Director, Trading & Distribution Division**

Mr Huen graduated from the Imperial College, London University, with first class honours in Civil Engineering. He joined the Group in 1990 as a divisional manager for the **IT Division.** In 1996 he became the General Manager of the Group’s Myanmar business and started the commodity trading business. He is now the Managing Director of the **Trading and Distribution Division.** Prior to joining the Group, he was the Managing Director of Maple Computing Services Pte Ltd and before that, Project Engineer with Monenco Asia Pte Ltd. Mr Huen will focus on expanding the Company’s trading and distribution activities regionally.

(d) **David Liew – Managing Director, Property Division**

Mr Liew has a Bachelor of Architecture (Hons) degree from the National University of Singapore. Prior to joining the Group, he was a Senior Project Architect with RSP Architects, Planners and Engineers Ltd and an Architect with Housing and Development Board. He joined the Group in 1994 as Development Manager and is now the Managing Director of the **Property Division.** He has 18 years post-graduate experience in project and property management including the development of a variety of large scale public and private projects. Mr Liew now oversees the management of the UE Group’s properties, including serviced apartment operations.

(e) **Eileen Lim – Group Company Secretary/Vice President (Legal Affairs)**

Miss Lim holds a Bachelor of Laws (Hons) degree from the University of Singapore, and Graduate Diplomas in Marketing, and in Financial Management, from the Institute of Management. She has more than 23 years post-qualifying experience with the last 21 years as in-house corporate counsel of large listed corporations. Prior to joining the Group in 1995, she was the Company Secretary/Legal Manager of Delgro/SBS Group. Her present responsibilities include legal, compliance and governance functions.

(f) **Jessie Peh – General Manager (Group Finance & Accounting)**

Mrs Peh is a qualified Chartered Accountant (Institute of Chartered Accountants, England & Wales) and a qualified Management Accountant (Chartered Institute of Management Accountants, United Kingdom) with 25 years experience. Prior to joining the Group in 1989, she was with Tat Lee Bank Limited as a Sub-Manager (General Accounting) and Ernst & Young as an Assistant Audit Manager. She is responsible for the Group’s financial, treasury and accounting functions.
(g) Dominic Tan – Managing Director, United Engineers (Singapore) Private Limited (UES)

Mr Tan holds a diploma in quantity surveying. Prior to joining the Group as General Manager (Business Development) in 1993, he was with L&M International Pte Ltd as its Commercial Director, and Gammon Pte Ltd as its Executive Director (Business Development). He has a wide range of international experience in the preparation, negotiation and execution of construction tenders, and the project management of large civil, building, mechanical and electrical engineering projects. In his present capacity as Managing Director, he spearheads the regionalisation drive and has established UES in Singapore, Brunei, Indonesia and Malaysia.

4. RISK MANAGEMENT

A Group Operations Manual drawn up with input from operational staff sets out established guidelines, policies, and procedures for all divisions. This promotes consistency in practices Group-wide and puts in place various control mechanisms. In addition, all business units undertake risk analysis whenever embarking on new projects, and are expected to take the necessary steps to mitigate and manage the same. As part of its audit function, the internal audit team also assists the risk management process by identifying and highlighting any areas of concern that it comes across while conducting checks.

The Directors are of the opinion, based on the results of internal and external audits, that the system of controls is operating satisfactorily.

5. COMMUNICATION WITH SHAREHOLDERS

The Group is mindful not to engage in selective disclosure practices and all price-sensitive information is released through MASNET for market dissemination. A summary of the group’s activities and performance is captured each year in the Annual Report which is distributed to all shareholders as well as business associates of the group. From 2003, the Group will be announcing its financial results together with the requisite commentaries, on a quarterly basis via MASNET and will also post the same on its website. In addition, major events such as the award of a large contract would also be featured in press releases. Investors and members of the public may also access our website for more information on the Group.

6. CODE OF CONDUCT

The Group has in place a Code of Business Ethics prescribing conduct to be adopted by its employees to prevent situations such as conflicts of interests, undue influence, abuse of power, fraud, misuse of company information and other malpractices. Serious disciplinary action may be meted out, after an inquiry comprising senior staff members has investigated and concluded a case.

7. BEST PRACTICES GUIDE

In line with SGX’s Best Practices Guide on Dealings in Securities, the Group has formulated and issued its Code of Best Practices for Dealings in Securities to its directors and officers for compliance. Under this Code, directors and officers of the Group are not permitted to deal with the listed securities of the Group one month before the release of any financial results of the Group or if they are in possession of unpublished price-sensitive information.

The Board is satisfied with the Group’s standard of Code-compliance, and with the adequacy of internal controls within the Group.